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Struggle for Middle East Oil

By HENDRIK De LEEUW

Author of "Crossroads of the Java Sea," and "History of Colonies," etc.

Dutch economist reviews rivalry of Great Powers for Middle East oil fields. Sees end of rivalry and closer cooperation of British and American interests and demand of French for participation. Concludes Russia regards Anglo-American co-operation as a conspiracy against her and is bent on obtaining Near East oil resources. Holds this will be a matter for consideration in the Moscow Treaty conferences.



Hendrik De Leeuw

The oil picture in the world today is greatly different from what it was 40 years ago. Today the British, Dutch and American oil interests smooth the gears of their intermeshed operations with the most select lubricants. The picture today is of those British, Dutch and American oil combines against Russian oil interests, a struggle in which no holds are barred.

Clashing in Iran, Saudi Arabia and other Near Eastern vital oil spots, the issue has been diverted (Continued on page 32)

Government Responsible for High Prices

By DR. JULES BACKMAN*

Associate Professor of Economics, New York University

Dr. Backman terms unwarranted the blame for price rises ascribed to businessmen, since they are not responsible for the contributing factors of food price increases, higher freight rates, credit inflation, or foreign relief policies. Concludes government policy, not industry's price administration, is responsible for current high price level. Expects lower prices later in year, whose extent will be determined by government action in supporting farm prices which are threatening production and employment.

Since the beginning of 1946, the wholesale price index has increased by more than one-third, while the consumers' price index has risen about 13%. These increases in prices have given rise to considerable concern. For some products it is reported that strong buyers' resistance is being met. The phrase "priced out of the market" is being encountered more frequently. Considerable concern is also expressed over the sharp changes which are taking place in price relationships and in price-income relationships.



Jules Backman

When prices rise at different rates and price relationships are significantly altered in short periods of time, the flow of resources must be affected. Similarly, large price increases cut the purchasing power of those groups (Continued on page 33)

*Address by Dr. Backman before the American Marketing Association, New York City, March 7, 1947.

Britain's Economic Dilemma—Its Origin and Nature

By PERCY RIPLEY

British economist asserts current crisis originated in (1) historical change; (2) impact of two wars; and (3) most importantly, present Socialist administration. Accuses government of mortgaging nation's future, and of deluding public concerning economic shortages. Asserts Socialists' failures are prompting its falling back on very principles of individualism which they have been discrediting. Concludes fundamental cure can come only through political change, pending which there should be "austerilizing" of expenditures, cessation of speculation in capital values, and rise in interest rate.

LONDON—The economic crisis in which Britain now finds herself (it can hardly as yet be said through which she is passing) is of threefold origin. There is the fac-

tor of historical change (in evidence, more or less, since the turn of the century), the impact of two wars, chiefly the most recent one, and, finally, the Socialist policy of the present administration. Under each of these headings is to be found outstanding features, but in

[Mr. Ripley, who is the author of "A Short History of Investment," is well known to the City of London as a writer on finance and economics.—Editor.]

each, also, there is a shading away to a variety of minor but not unimportant matters having a bearing upon the national life. It is the existence of this condition of affairs which makes the crisis in Britain today at once simple and complex, capable of prophecy as to the broad and imminent outcome. (Continued on page 24)

Pictures taken at 11th annual dinner of the Cleveland Security Traders Association appear on pages 30 and 31.



G. A. Haas

James J. Quinn

Once again, the old argument used as a chief prop by the latter for a bullish postwar stock market has been resurrected—the alleged broad domestic and world-wide "demand" for "everything the United States can produce," especially durable goods. The Bull Market Economists have constructed a formidable statistical base for this "demand." In so doing, in our view, their failure (Continued on page 35)

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Maintaining Prosperity—Roles of Management and Government

By LEON H. KEYSERLING*

Vice-Chairman, Council of Economic Advisers to the President

Although assigning to management first responsibility for health and advancement of our economy, Mr. Keyserling stresses vital role of government. Holds proper proportion of private enterprise and public action will safeguard prosperity, and scores "fatalistic pessimism" of long-term economic outlook. Says another major depression in U. S. would bring end of free enterprise, and contends future of our prosperity rests on proper balanced price and wage policies. Explains Employment Act of 1946.

I have been asked to speak on the topic "Maintaining Prosperity—Management and Government Roles."

Whoever phrased this topic has my appreciation — and I say this in all sincerity

—for referring to the role of management first and the role of government second. I join in your earnest hopes and aspirations that for as long as we can see into the future the first responsibility for the health and advancement of our economy will remain with our free system of business enterprise—and not shift to any combination of governmental programs. I know this to be the viewpoint of the overwhelming majority of the American people. This viewpoint I share.

But with equal candor, I must express appreciation that the government's role in maintaining prosperity has been included in the topic for discussion. This inclusion does not rest upon any

*An address by Mr. Keyserling before National Conference of the Society for the Advancement of Management, Los Angeles, Calif., March 21, 1947.



Leon H. Keyserling

particular political viewpoint or economic dogma. It rests upon hard facts which all must see whose eyes are open. Every reflective businessman is profoundly aware that under modern conditions the composite actions of

government do vitally condition the health of the whole economy. Any person who would say that the government's role is immaterial or inconsequential would

(Continued on page 28)

Present Economic Problems and Prospects

By NEIL H. JACOBY*

Vice-President and Professor of Finance, University of Chicago

Characterizing present situation as a boom containing important elements of short-term instability, but with underlying factors of growth and expansion, Dr. Jacoby expresses belief a business depression within next year is not likely. Holds, however, labor situation is unsettled, and together with chaos and economic crises abroad, are factors making for short-term economic stability. Sees need for balanced Federal budget and readjustment of present distorted price structure. Questions advisability of excessive tax cuts and a too generous foreign loan policy.

I propose to discuss the economic outlook during the year ahead. I shall try to state the most probable prospects for business, direct

attention to certain major alternatives of economic policy that confront the nation and attempt to weigh the consequences of adopting each alternative. In concentrating on short-term economic developments, I do not mean to imply that the longer-term situation is beyond analysis and prediction. In fact, with due regard to the large



Neil H. Jacoby

hazards in all business forecasting, the economic scene three or four years hence can probably be discerned with more assurance than can the nature and timing of more immediate changes. But business managers must be concerned with immediate as well as remote events, for the events of only one year can put a business on easy street or in the bankruptcy courts.

The late Lord Keynes remarked: "In the long run, we are all dead."

How may we characterize the contemporary condition of the American economy? I believe we can properly describe it as a condition of boom, containing important elements of instability in the short-term (1-2 years) and underlying factors of growth and expansion in the long-term (3-6 years). The evidence of a business boom lies all about us. Aggregate physical volume of production is greater than that of 1941—the last record-breaking prewar year—by about 25%. Unemployment is less than 2,500,000 and most areas of the nation have an excess of vacant jobs over job-seekers. The prices of nearly all commodities continue to rise under the pressure of an excess of demands over available supplies. Income payments and business profits are running at unparalleled levels. Ten years ago the present economic situation would have been described as a close approximation to Utopia.

The contemporary boom is (Continued on page 20)

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Business Prospects in 1947

By LAWRENCE F. WHITTEMORE*
 President, Federal Reserve Bank, Boston

Commenting on "the most widely advertised recession," Federal Reserve executive refutes theory that falling prices entail decline in business activity. Holds prices of both agricultural and manufactured products are out of line, and looks for healthy readjustment. Sees no excessive inventory accumulation and concludes we are rapidly approaching balanced condition in which competition among both buyers and sellers exists. Says political trend favoring private enterprise is good omen.

In recent months we have seen the highest peacetime level of business on record, an amazingly low level of unemployment, and a volume of



L. F. Whittemore

profits more than satisfactory for the majority of businesses. A good many people consider the high level of business we are now enjoying too good to be true and a good many others can see in any change downward only a change because costs and prices have gotten so high. The newspapers inform us that if we do not have some kind of recession in 1947 probably

*An address by Mr. Whittemore before the Bankers' Study Conference, Poland Spring, Maine, March 25, 1947.

the majority of the business observers in the country will have been proved wrong and if we do have a recession it will be the most widely advertised one that has occurred.

In view of the misgivings about the future expressed by so many businessmen and the widespread predictions of troubled times ahead, I have had assembled some basic facts which we should all have before us before we undertake to determine what lies ahead. Let us first consider where we stand at the moment.

Where We Stand Now

We have just completed a year in which the value of total production of goods and services exceeded by far the production of any other peacetime year on record. In 1946, we produced one-fifth more than the previous peacetime record made in 1941. Since the production of our fac-

(Continued on page 25)

SEC Abandons Idea of Promulgating Bid-and-Asked Disclosure Rule

"Chronicle" fought against enactment of proposal since 1942. Would have compelled every dealer to disclose to customers best independent bid-and-asked price ascertainable before consummating a transaction. Commission also admits it had no power to subject municipal transactions to such a disclosure rule.

The Securities and Exchange Commission has decided not to adopt the so-called bid-and-asked "disclosure" rule which would have compelled every dealer making a purchase or sale in the over-the-counter market to disclose to his customers the best independent bid-and-asked price ascertainable (in other words what would be construed as the wholesale price in other lines of business) before consummating a transaction.

Simultaneously, the SEC ruled "it has no authority under either Section 15C1, or any other Section of the Securities Exchange Act of 1934, to adopt a rule requiring general

(Continued on page 58)

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BUSINESS BUZZ



"Oh, I see you found the Easter eggs I got for you, Mr. Weegee!"

Buyers on "Hand-to-Mouth" Basis

Committee of Purchasing Agents, headed by Robert G. Swanton, report short-term commitments by buyers now order of the day, and extreme caution followed in management of inventories.

A composite opinion of purchasing agents who comprise the Business Survey Committee of the National Association of Purchasing Agents, the chairman of which is Robert G. Swanton, Director of Purchases, Winchester Repeating Arms Corp., reports at the end of March. Says the Association's report: "Purchasing agents find a continued high volume of industrial business is being maintained through March, with fewer reporting declines and a slight increase in those reporting increased operations."



Robert G. Swanton

"Increased production and short-term buying policies have reduced the backlog of unscheduled orders in a number of lines. Indications favor top production over the next three months unless the international situation and labor conditions cause interruptions and maladjustments. Of the two, the new international problems are causing

most concern. Buyers are watching these developments closely for they may affect the price and availability of many commodities.

Commodity Prices

"The general trend of prices has been ending up but commodities in critically short supply, such as copper and lead, advanced sharply this month. Foodstuffs advanced with the news of heavy European requirements from American production."

"In other lines, prices are leveling off with signs of breakdown under buyers' resistance. Upward flurries of some prices are considered to be the final stage of inflationary increases."

Inventories

"Extreme caution in management of inventories is noticeable in the reports. Many are maintaining supplies only to the extent of definitely scheduled production. With commercial loans at a high mark, banks are reported insisting on liquidation of excess inventories held by some borrowers. Some new unbalancing of stocks

(Continued on page 42)

Growing Importance of Durable Consumer Goods in Our Economy

By S. MORRIS LIVINGSTON*

Chief, National Economics Division, U. S. Department of Commerce

Commerce Department official expects enormous deferred demand boom, and nation's sharply growing productive capacity to reach \$250 billion by 1950. Predicts national output double the 1920's average, in which consumers could correspondingly increase durable goods purchases. Foresees ultimate problem of maintaining high consumption level after more obvious needs have been satisfied, at which time consumer credit use will be important element.

Any appraisal of the size and importance of the postwar market for consumers' durable goods should start with the fact that this country is still growing. That growth is compounded by the gradual increase in working population plus the American genius for continually improving production methods.



S. Morris Livingston

Converted to 1947 prices, the gross national product in 1929 was less than \$140 billion. By 1941, in spite of five million unemployed, it was \$180 billion. Today, with relatively full employment, but when productive efficiency has not yet caught up with the pre-war trend, the national output is approaching \$220 billion.

The growth in population is still adding almost half a million workers per year. Further postwar readjustments—including the elimination of production bottlenecks, the modernization of productive facilities and the improvement of management-labor relations—should accelerate the normal tendency toward increased output per man-hour. By 1950 the nation's productive capacity will be nearer \$250 billion. In succeeding years the potential output will be even larger.

That productive capacity is significant not only because of the goods which need to be sold but also because of the incomes to be earned at a high level of production. The task of visualizing the problems and potentialities of that capacity is made more difficult

because the decade before the war was profoundly affected by the worst depression this country has experienced. In the last period of sustained prosperity—from 1923 to 1929—the national output and income were roughly half of what is possible over the next several years.

Professor Cox estimates that at the end of 1941 the inventory of durable goods in the hands of consumers had a depreciated value of \$40 billion in then-current prices. One way of evaluating the importance of consumers' durable goods would be to calculate how much consumers could afford to own if incomes over the next several years are commensurate with a high level of production. Such a calculation would serve to indicate the source, the magnitude and the significance of the accumulated demand. It would also highlight ultimate problems of maintaining a high national output when that backlog of demand is exhausted.

Automobiles as an Example

Unfortunately, and in spite of the excellent work of Professor Cox and others, the data necessary for such a calculation in many instances are lacking. It is possible, however, to use the automobile industry as an example of the problems and possibilities. Automobiles and equipment are the largest single category, accounting for almost a third of the total.

Total registrations of passenger cars during any year admittedly over-state the average number of cars in use during the year. They are, nevertheless, a convenient index of cars in use going back over a period of several decades. They include, of course, cars for business use as well as pleasure.

Two influences determined this user inventory in the years before

(Continued on page 44)

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Behind-the-Scene Interpretations
from the Nation's Capital

Biggest news out of Washington in imminent weeks won't feature tax reduction or budget curtailment but is to deal rather with prices. Taxes and the budget are good for political bushwhacking. There'll be no agreement between White House and Congress on how far to depress tax rates or how much to shrink the budget. But you can look for an ascending effort by the Executive and Legislative ends of government together to press down prices in general.

Congressional leaders of both major parties are in accord with the President that prices paid by consumers for most kinds of goods must be lowered. That means that (1) Congress and the White House will cooperate purposefully on this issue, and (2) business interests bucking the current will look in vain for the political refuge usually available to dissenters.

Washington believes the effectiveness of price shrinking endeavors must be measured in the long run in terms of voluntary price-whittling by big business. The government won't use force. Instead, (1) President Truman will continue to use press and radio as sounding boards for price reduction pleas, and (2) Congress will stress through committee investigations and speeches that big

business must charge the public less if the American standard of living is to survive. Nobody appears very sure what this strategy may sprout.

House Republicans who laid the golden tax reduction egg aren't cackling much in their legislative hencoop. They know that (1) Senate Republicans won't support their bill, (2) the Senate will almost certainly restrict the reduction date to next July 1 rather than last January 1 and may also revise rates to give lower income earners a bigger break, and (3) the House will ultimately eat humble pie and accept the Senate revisions. Insiders know the legislation in present form couldn't possibly survive a Presidential veto.

Export-Import Bank may become the unwilling parent of a
(Continued on page 19)

SEC Reverses NASD Ruling in Herrick, Waddell Case

Sets aside action holding investment firm had violated Fair Practice Rules by charging prices not reasonably related to market. SEC decision reaffirms its former ruling that mark-ups above 5% do not necessarily constitute violation of NASD Fair Practice Rules. Holds charges can be made for special services for customers. Herrick, Waddell & Co., Inc. issues statement commenting on ruling.

The Securities and Exchange Commission on March 28 announced its long awaited decision in the application of Herrick, Waddell & Co., Inc., for review of disciplinary action which had been taken against the firm's branch in Washington by District No. 11 of the National Association of Securities Dealers, Inc.

The Washington office of Herrick, Waddell & Co., was censured by NASD after a finding by the Business Conduct Committee of Dist. No. 11 in the District of Columbia that the concern had violated rules of fair practice by charging excessive mark-ups in 39 reported transactions with customers in 1945.

The SEC, in its ruling on the appeal, held that the association failed to give consideration to evidence relating to the firm's dealings, including evidence that the company had in all transactions disclosed to customers the amount of mark-up taken, and had rendered certain special advisory services to them. It therefore ordered that the action of the NASD be set aside and re-

manded the record to the association for such reconsideration of the case and such further steps consistent with the opinion as it deems appropriate.

It is noteworthy that the SEC disagreed expressly with the NASD's view that disclosure to customers of the amount of the mark-up (a practice which Herrick, Waddell claimed to have pioneered) was not "material" to the proceedings. The SEC, moreover, restated its former ruling that a "mark-up" is only one factor in judging fairness of prices and that the so-called "5% maximum" as promulgated by the NASD is not to be considered a rule.

The SEC concluded that "When a securities firm rendering more than the customary service discloses to its customer the mark-up it will make on the transaction, the customer is enabled better to
(Continued on page 38)

Observations

By A. WILFRED MAY

WAGE-PRICE-PROFIT MISCONCEPTIONS STILL RAMPANT

Mr. Lewis' renewed demonstration of power, the wage disagreements in the telephone and steel industries, and the General Motors dispute, are reincarnating to an even more extreme degree previous fallacies and fantasies on the issue of wages. And this is particularly unfortunate at this start of the "second and last round" of the wage battle—probably marking labor's last chance to get what it can before our current production boom and abnormally full-employment condition are ended. For the outcome of the present negotiations and the extent of the pay increases that are agreed on, will go far toward determining whether we are, on the one hand, to find ourselves merely in the last gasp of a dying boom, or instead, at the beginning of a fresh inflationary spiral. And it is no exaggeration to point out that a further inflation, "pricing this country out" of the international market, would even constitute a real threat to peace, and accelerate the advent of World War III.

Perhaps the foremost fallacy is to persist, as Robert Nathan still does, in tying-in the question of wages with industry's profit and price policies; and to shift the issue to an ideological brawl arguing whether industry is profit-drunkly gouging the public or sacrificing its earnings opportunities on the altar of business statesmanship. In a blast at his critics, delivered at the New School Tuesday evening, Mr. Nathan once more elaborated on his contention that businessmen have not forsaken the profit motive. This writer believes Mr. Nathan goes wrong in failing to recognize it as axiomatic that in a free society and in a free market businessmen will ordinarily try for the profits which supply and demand allow. Instead of demonstrating that they do so, the pro-Laborite should adopt this instinct as the major premise for appraising the effect of wage adjustments. As a matter of actual fact, this persistence of the profit motive and the permanent habit of maintaining profit margins, warrants the expectation that further wage increases will lead to price rises, and hence be inflationary. Whether particular margins of earnings are justified constitutes an entirely different argument of an ethical nature.

In order for Mr. Nathan's thesis to be valid, an indispensable accompaniment of increased wages is an OPA or a change in human nature of businessmen, or both!

Also there is the widespread practice of evaluating profits, prices,
(Continued on page 22)



A. Wilfred May

World Bank in the Spotlight

By HERBERT M. BRATTER

Mr. Bratter reports Washington's curiosity as to Bank's policies regarding political lending, loaning terms, possible limitation of activities to hard-currency capital, and merger of Fund and Bank. Notes some public dissatisfaction over alleged increase in "Wall Street influence."

The day before Mr. John J. McCloy was elected by the Executive Directors of the World Bank to be President of that institution he



Herbert M. Bratter

was introduced to financial writers and editors in New York in the presence of a considerable number of bankers and of the World Bank's publicity director, Mr. Drew Dudley. One point about this unusual introduction to the public was that the executive directors of the Bank—with the exception of one or two who came upon it privately—had no advance information about this "background press conference." Following Mr. Eugene Meyer's

resignation from the Bank, there was in that institution's higher circles an acceptance of the fact that the institution could not be successfully organized without the active participation of Wall Street; and when Mr. McCloy's name first appeared upon the scene, the reaction in Bank circles was favorable and hopeful. Now, this reporter finds, optimism is, here and there, being qualified with caution. It is an attitude, in Washington, of watchful waiting. Waiting, among other things, to see whether under the new management certain ideas which have been quietly spoken gather momentum with the passage of time.

Friends of the original Bretton Woods program are watching the McCloy administration's loan decisions. The first loan is expected
(Continued on page 49)

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Inflation Control By Moral Suasion

WASHINGTON (Special to the "Chronicle")—The Administration appears to be trying to persuade business to lower prices. While this method may appear to be successful at times, it seems a bit like King Canute commanding the tide to recede.

This week, for the second time, the President has publicly attempted to "talk" prices down. And the cabinet is supporting him in the effort. A few days ago the Commerce Department let it be known that the Secretary had asked members of the Business Advisory Council to do some price introspection, and lower prices wherever possible, as "good business." And recently the Secretary of the Treasury advised his press conference that he had heard privately from businessmen that prices of certain basic goods would be lowered.

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Recommends Revision of Securities Act

Committee on Security Regulation of Commerce and Industry Association of New York, through Edward B. Twombly and William B. Putney, 3rd, of Counsel, Suggests six major changes and other adjustments. Wants power of SEC to give publicity to unproven allegations of wrong-doing severely restricted.

Revision of laws affecting six major features of the Securities Act of 1933 and the Securities Exchange Act of 1934 are recommended in a report of the Committee on Security Regulation of the Commerce and Industry Association of New York, Inc., released March 28, which has been transmitted to Chairman James J. Caffrey, of the Securities and Exchange Commission, by Association Secretary, Thomas Jefferson Miley.



Edward B. Twombly



Wm. B. Putney, 3rd

The recommendations which were prepared under the guidance of Counsel, Edward B. Twombly and William B. Putney, 3rd, were submitted as a basis for discussion at a conference on the subject which is to be called later by Chairman Caffrey. Messrs. Twombly and Putney are members of the law firm of Putney Twombly Hall & Skidmore, New York City.

The full text of the report follows:

Recently, under the guidance of Chairman James J. Caffrey, there has been a healthy reorientation of the philosophy and attitude of the Securities and Exchange Commission. An intelligent effort is now being made to administer the various securities laws as Congress intended them to be administered for the protection of investors and in the public interest with the least possible interference with honest business. Considerable progress in this direction has already been achieved by the Commission. Awkward, complex forms prescribed in the past have been cast aside and simpler, better ones have been adopted. Rules have been adopted to cure the effect of

a previous regulation and to make possible once again some dissemination of information to investors prior to the completion of registration of an offering of securities. In addition, there has been a frank recognition on the part of the Commission that changes are required in various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 to fully carry out the intent of Congress.

This committee believes that there are six major subjects with respect to which changes should be made in these laws. These are:

- (1.) The dissemination of information to investors.
- (2.) Simplification of the registration process.
- (3.) Integration of the infor-

mation and registration requirements under the two Acts.

(4.) An increase in the size of small issues exempted from registration, but with broader supervisory powers on the part of the SEC.

(5.) Clarification of the anti-manipulation provisions of the Securities Exchange Act.

(6.) Restriction of publicity on unproven charges of wrongdoing.

These are the major points on which change is required. It is recognized that there are many less important changes which would also be desirable, but no attempt will be made to cover all of these in this memorandum.

This committee is vigorously opposed to two proposals which have been made by others in the past. One proposal is to require registration under the Securities Act of 1933 of "private offerings" such as have been and are being made to insurance companies. The other proposal is to subject companies having more than a minimum number of shareholders and a certain minimum amount of assets to the information and proxy requirements of the Securities Exchange Act, and to subject their officers, directors and 10% stockholders to provisions of that Act which would require them to report their transactions in the stocks of their companies and to pay over to the companies any short-term capital gains in such stocks. As these proposals are not currently being pressed, so far as this Committee is aware, no further discussion of them appears

necessary at this time. The Committee, however, wishes to register its opposition to them in case they should be revived.

There follows a discussion of the general nature of the problems related to each of the subjects listed above and our suggested changes.

1. The dissemination of information to investors.

It is generally recognized that the Securities Act has failed in its purpose of conveying full and fair information regarding securities offered under the Act to investors before they purchase the securities. Few investors will trouble to read a prospectus, crammed as it must be with detailed technical information much of which is not comprehensible to most investors. Moreover, the general practice is to send the prospectus to the investor with the confirmation of sale, that is after he has bought the security. Such sales are made orally, as no written communication may be given an investor in advance of the prospectus. Hence, the investor generally makes his commitment to buy in reliance solely upon the oral representations of the salesman.

To remedy this situation, it is suggested that changes along the following lines should be made in the Securities Act:

(a) The present "tombstone ad" (which today merely permits identification of the security offered, and a statement of the price, from

(Continued on page 23)

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Caffrey to Push for Extension of Disclosure And Proxy Requirements to Unlisted Corp.

Chairman of SEC in statement to "Chronicle" makes clear he intends to recommend to Congress passage of legislation which would extend to unregistered companies having 300 or more shareholders and assets of more than \$3,000,000 to Securities Act regulations regarding corporate earnings, proxies and trading positions of officers, directors and 10% stockholders.

Extending the disclosure and proxy requirements of the Securities Exchange Act of 1934 to the larger corporations whose securities



James J. Caffrey

are not listed is not as dead an issue as many dealers in the over-the-counter market, the associations to which they belong and the officials and stockholders of the unregistered companies apparently have thought it was.

James J. Caffrey, Chairman of the Securities & Exchange Commission, made it very clear to the "Commercial & Financial Chronicle" yesterday that the matter stands exactly as he said it did in his statement to the House Committee on Interstate and Foreign Commerce on March 12 in which he revealed the Commission's plan to suggest to Congress certain amendments to the statutes after (1) the commission has had the chance to put the various proposals under consideration in definite written form and (2) the financial industry has had the opportunity to submit its comments on them.

Mr. Caffrey's reference of March 12 to the unregistered companies may have been missed by many (though our Washington correspondent reported this information in the Mar. 13 issue of the "Chronicle") since it was made only in passing, as it were, being

sort of buried on page 40 of the complete 47-page statement. The reference is as follows: "At the time the recommendations for amendments are submitted, the Commission also expects to renew the recommendation made by it in 1946 to extend the reporting and proxy requirements to the larger unregistered companies. This recommendation was incorporated in a bill introduced in the closing weeks of the last Congress as H. R. 7151."

Then and Now

At the I.B.A. convention at Palm Beach last December, Mr. Caffrey is reported to have said that he did not propose to renew the recommendation made at the last session of Congress for extension to unregistered companies having 300 or more shareholders and assets of more than \$3,000,000 of the Securities Exchange Act regulations regarding corporate earnings, proxies and trading positions of officers, directors and 10% stockholders. Mr. Caffrey is saying now, however, that what he said then was that he did not propose at the time to push this legislation until he had had the chance to discuss the question with the industry. He says that he has now had that chance and that, as he told the House Committee a little over two weeks ago, he does intend now to recommend favorable Congressional action in this respect. Elements in the financial industry which thought that they could talk the SEC out of extending the report-

ing and proxy provisions of the Securities Exchange Act to the larger unregistered companies thus have come to learn the hard but realistic way, it may be pointed out, how far they can hope to go in that general direction.

Caught Off Balance

Uncertainty and some confusion in the minds of many interested people concerning the SEC's intentions on the matter date back, in fact, to this I.B.A. meeting. Mr. Caffrey's remarks on the question then apparently have had the effect of lulling everybody to sleep on the issue rather than putting them on their guard which, in retrospect now, some observers think everyone should have kept.

This uncertainty over what the SEC intends to do was forcibly brought out only last Friday in a report of the Committee on Security Regulation of the Commerce & Industry Association of New York, Inc., which was forwarded to Mr. Caffrey at Philadelphia (printed elsewhere in this paper today). The Committee makes mention of a proposal to require registration under the Securities Act of 1933 of "private offerings" along with a reference to the "other proposal . . . to subject companies having more than a minimum number of shareholders and a certain minimum amount of assets to the information and proxy requirements of the Securities Exchange Act and to subject their officers, directors and 10% stockholders to provisions of that Act which would require them to

(Continued on page 52)

Britain's Trade Policy Dilemma

By PAUL EINZIG

Dr. Einzig points out Britain's difficulty in supporting non-discrimination and multilateralism in forthcoming Geneva World Trade Conference. Holds, despite adverse situation, British Government will seek to carry out commitments under Anglo-American Loan Agreement, and foresees probability of further U. S. loans to Britain.

Although we are on the eve of the Geneva Conference, there are as yet no indications of the course that the British delegates will adopt towards

the main issue—that of discrimination in international trade. In connection with the Loan Agreement of Dec. 6, 1945, the British Government committed itself in favor of the principle of non-discrimination.



Dr. Paul Einzig

Its commitment, is however, sufficiently vague to allow wide scope for interpretation, and in any case the British claims for tariff reduction in the United States might well prove to be unacceptable to the Republican majority in Congress. So for all practical purposes Britain has a free hand at the Conference to aim at quantitative discrimination and the maintenance of the multilateral system.

Nevertheless, the Government could not light-heartedly disregard American interests and American feelings in this matter. Whatever may be the technical position under the letter of the Washington Agreement, there can be no doubt about the meaning of its spirit. A loan of \$3,750,000,000 was granted on the condition that Britain would support the American trade policy. In such conditions it is for Britain morally, politically, and even financially impossible to come out definitely in favor of the opposite policy. Apart altogether from the possible political effects of such a course, it might have unfavorable financial reactions. For it would be idle to expect the United States to grant further assistance if the spirit of the terms under which the loan was granted is disregarded. And it looks as though Britain would badly need fresh assistance before we are much older.

On the other hand, it is becoming increasingly clear that in the Washington Agreement the British Government committed its country to a suicidal policy. Apart altogether from what may be agreed at Geneva, the terms of the Loan Agreement themselves impose an unbearable burden on the British balance of payments. The loss of foreign exchange that is certain to arise as a result of the premature restoration of the convertibility of sterling on July 15, 1947, is expected to cut short the respite obtained as a result of the loan. Had Britain borrowed on commercial terms—say, at 5% interest, and repayment in 25 years—the burden on the balance of payments would not have been nearly as heavy as that arising from the "strings" attached to the "political" loan. The chances are that a large part of what is left of the proceeds of the loan will be lost as a result of the drain caused by the convertibility.

The effect of the adoption of non-discrimination at Geneva on Britain's balance of payments would be even more disastrous. In existing circumstances such beneficial effects as may arise to Britain from a return to multilateral trade are bound to be very gradual. On the other hand the adverse effects are expected to be heavy and immediate. Possibly in 10 years' time Britain's

export trade might secure its due share in the expansion of world trade brought about by non-discrimination. Meanwhile, however, the British balance of payments will be exposed to the effects of having relinquished the weapons of discrimination with which it could have been defended during the reconstruction period. Britain will have no means for correcting the maldistribution of its trade with "hard currency" countries and "soft currency" countries.

The main object of the loan was to meet the deficit of Britain's balance of payments until the beneficial effects of non-discrimination have restored its equilibrium. By the look of things, however, the proceeds will be exhausted long before such equilibrium can be hoped to be reached. In the circumstances there is a strong temptation for Britain, through sheer instinct of self-preservation, to put up a strong fight in Geneva in favor of discrimination. The alternative is to accept the American policy in the hope that in a year or two the United States would grant additional billions of dollars, and would continue to grant further loans until the deficit of the balance of payments is eliminated in the course of time.

This would mean, of course, that Britain would sink to the stature of a perennial borrower. The Labor Government, always ready to buy cheap popularity at the cost of sacrificing long-term interests, is not likely to be deterred by this consideration from taking the line of the least resistance. On the other hand, it may be reluctant to put itself in a position in which it would be at the mercy of Wall Street or of a Republican Administration. The memory of the so-called "bankers' vamp" of 1931, when the Labor Government was forced out of office largely by the influence of American finance, is still fresh in the mind of Socialist leaders. For this reason more than any other, discrimination is not likely to be given up lightly by Britain in Geneva.

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The Labor Government's Failures

By RT. HON. WINSTON CHURCHILL*
Former Prime Minister of Great Britain

Asserting economic policy of British Labor Party hampers Britain's recovery and endangers its very life, Mr. Churchill characterizes its greatest evil as "injury to the spirit." Points out since end of war British living standards have declined and people are undernourished. Attacks Labor Government's neglect in coal shortage, and holds situation could have been avoided by precautionary action. Decries heavy occupation expenditures and increase in civil service costs and accuses Labor Government of trying to destroy wealth and free markets.

The problems which confronted the British nation on the morrow of their victory required the strength of a united people to solve and overcome. Instead of that, the Socialist Government, in their hour of unexpected success, set themselves to establish the

rule of a party, and of a sect within a party. Having even then, as my right hon. Friend the Member for the Scottish Universities (Sir J. Anderson) reminded us, polled only 37% of the total electorate, they nevertheless deemed it their mission to impose their particular ideological formulas and theories upon all the rest of their fellow countrymen, regardless of the peril in which we all stood, regardless of the urgency of the work to be done, most of all, regardless of the comradeship by which alone we had survived the war.



Winston Churchill

This was a crime against the British State and people, the consequences of which have hampered our recovery, darkened our future and now endanger our very life. In our immense administrative difficulty, the Prime Minister and his colleagues should have concentrated upon their immediate practical tasks, and left the fulfilment of party ambition and the satisfaction of party appetites, at least until we, and the rest of the world with us, stood on firmer and safer ground. Before they nationalized our industries they should have nationalized themselves. They should have set country before party, and shown that they were Britons first and Socialists only second. They should have set the day-to-day well-being of the whole mass of the nation before and above the gratification of party passions. In this they would have found an honorable and worthy mission, from which lasting honor for themselves and their party might have been reached.

Have Spread Class Warfare

On the contrary, mouthing slogans of envy, hatred and malice, they have spread class warfare throughout the land and all sections of society, and they have divided this nation, in its hour of serious need, as it has never been divided, in a different way from that in which it has ever been divided, in the many party conflicts I have witnessed in the past. In less than two years, our country, under their control, has fallen

*Speech of Mr. Churchill in the House of Commons, London, England, March 12, 1947.

- *Hungerford Plastics
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from its proud and glorious position in the world, to the plight in which it lies this afternoon, and with even more alarming prospects opening upon us in the future. That is their offense, from which we shall suffer much, and with the guilt and discredit of which their name and the doctrines of their party, will long be identified in British homes.

For our part, when this Government first took office, although profoundly distressed by the vote of the electorate—[Laughter]—no one more than me—we immediately offered any services which we could render to the national cause, not only at home, but in the United States. I, and my leading colleagues, did our utmost, against a good many of our friends here, in our party, to help the Government to obtain the American loan of £1,000 million, in spite of the disadvantageous conditions under which it was offered. I used such personal influence as I had in the United States, as the Chancellor of the Exchequer knows, to clear away American misunderstandings, so far as it is in the power of any private citizen to do any such thing. On every occasion hitherto, my colleagues and I have emphasized the importance of national savings, and we shall continue to do so, but I have an increasing feeling, in view of inflation, that at any rate the smallest class of savings might be linked to some permanent standard of values. We have voted with the Government in everything they have done for the sake of our country, but what has been the return? An aggressive party attack has been made upon us.

I am sorry to see, from the

newspapers, though I am glad I was not here, that the Minister of Defense distinguished himself by showing that aggressive spirit last night. An unbroken stream of scorn and hatred has been poured out upon us, not only by Government speakers in all parts of the country, but from the official Government newspaper, the "Daily Herald." One would have thought that the ten million people, who voted for us, or with us, at the Election, were hardly fit to live in the land of their birth, although most of them were folks who had given a lot for the national victory.

Gravest Injury Is Psychological

The first and the gravest injury which our country has sustained is psychological. It is the injury to the spirit. I was the Prime Minister responsible, as head of the Government, for the present crushing weight of direct taxation including the almost confiscatory taxation of wealth. All this was done with a great Conservative majority by a Prime Minister of the Conservative Party and by a Chancellor of the Exchequer of the Conservative Party. I was also responsible, as head of the Government, for the controls and regulations of all kinds that were in force at the end of the war. We must not forget that afternoon in May, 1940—I was not here; I had to go to Paris—when the enormous Tory majorities in both Houses of Parliament voted into the hands of the Government, for the sake of our country's survival, practically all the rights of property and, more precious still, of liberty on which what we have called civilization is built. That ought not to be forgotten when hon. Members

(Continued on page 40)

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Labor Management Problems in 1947

By EDWIN E. WITTE*

Chairman, Department of Economics, University of Wisconsin

Former member of War Labor Board, after reviewing developments under Wagner Act, contends new labor legislation will not aid in accomplishing industrial peace. Sees threat of renewed strikes in mass production industries regardless of new Congressional legislation. Says there is still wide gap between thinking of labor and management, and that giving status and security to a union does not guarantee no further labor trouble but is merely an essential condition of getting along with union. Warns against extremists in both labor and management.

In discussing the "Labor Management Problems in 1947" it is logical to begin with a review of past developments.

I will say little about the period before 1935 when Congress enacted the National Labor Relations Act, popularly known as the Wagner Act. Unionism was then over 100 years old in this country. It had survived all of the ups and downs of the business cycle, all political changes, and all climates of public opinion. It was firmly established in many industries, but was almost completely excluded from the mass production industries.

Both unionism and collective bargaining had long been of undoubted legality. While there had been a few early cases in which labor unions were held to be illegal, it had long been firmly established that combinations of working men to increase their wages, shorten hours of labor or improve working conditions, are lawful. There never had been even one case in which a combination for these purposes had been held to violate the anti-trust laws, regardless of the size of the union or the percentage of the employees in a given industry included within its membership.

*An address by Dr. Witte before the University of Cincinnati business and professional men's group current affairs forum, Cincinnati, Ohio, March 21, 1947.



Edwin E. Witte

Union agreements were of unquestioned legality, including agreements for the closed shop—and without the limitation specified in the Wagner Act that closed shop agreement must be made with a union representing a majority of the employees.

As early as 1918 in the Declaration Principles to Govern Labor Relations during World War I, it was declared to be the policy of the United States to accord workers the rights of self organization and collective bargaining, free from all interference by employers. This statement came from the War Labor Board of that day, of which the then ex-President and later Chief Justice William Howard Taft was co-Chairman. This principle was first written into statute law in the Railway Labor Act of 1926, approved by President Coolidge. It also was included in the Norris-LaGuardia Act of 1932 and in the Bankruptcy Act of 1933, both of which were approved by President Hoover. It was reaffirmed in Section 7(a) of the National Industrial Recovery Act of the early days of the Roosevelt Administration.

The Wagner Act

This same provision is the central section of the Wagner Act. This law differs from the earlier legislation to safeguard the right of workers to form labor organizations and engage in collective bargaining only in that it implements this statement of the rights of workers by a short list of unfair labor practices of employers. The most important of these unfair labor practices are discrimination against workers for union

(Continued on page 45)

Public Utility Securities

American Water Works Company, Inc.

American Water Works Co., Inc., last Friday amended its registration statement with the SEC covering issuance of \$15,000,000 in bonds and approximately 2,600,000 shares of new common stock. The company was formed in 1936 to function as a subholding company for part of the water works interests of American Water Works & Electric Company, Inc. As now set up, it has outstanding 5,000 shares of preferred stock and 6,000 shares of common, all owned by the top company. This inactive holding company will become the "top company" for all the water works properties of the system, which are to be divorced from the electric interests. There are 68 of these subsidiaries, one-half of which have been in the system since 1886 and one-half since 1929. About one-half the companies are located in Pennsylvania and the balance in 20 other states in the east, middlewest and south. Some of the largest cities served are Birmingham, Chattanooga, Wichita, Pittsburgh, Peoria, etc. In addition to the water works companies, there are eight other subsidiaries.

The \$15,000,000 10-year 3% collateral trust bonds will be sold to the John Hancock Life Insurance Company. Of the 2,600,000-odd shares to be outstanding, 2,343,105 will be offered to the common stockholders of American Water Works & Electric in a share-for-share ratio. The offered price will first have to be determined by competitive bids submitted for a stand-by underwriting. It is understood that two groups are in the field to bid for the business.

While the date of registration might normally fix a bidding date around the end of April, some delay may result from the necessity of clearing tax questions with the Treasury Department. May 1 would seem to be about the earliest date for bidding. It is understood the stand-by period will be ten days, during which the rights will be effective, and after which any unsubscribed balance of stock will be offered to the general public.

Some 2-300,000 shares of common stock will be used for required exchanges which will "collapse" two subholding companies in the water system, Community Water Service and Ohio Cities Water. A substantial part of the cash realized by American Water Works Company will be passed up to its parent, American Water Works & Electric, and will be

used by the latter to retire its own preferred stock.

The registration statement indicates that the dividend rate on the new stock will be 65 cents per annum, the initial dividend of 33 cents to be paid six months after the date of the prospectus (assuming that conditions do not change materially). Estimated consolidated pro forma earnings on the stock have been as follows:

1946-----	87¢
1945-----	76¢
1944-----	75¢
1943-----	78¢
1942-----	82¢
1941-----	92¢
1940-----	75¢
1939-----	77¢

System revenues in 1946 were about 45% residential, 23% commercial, 16% industrial and 16% miscellaneous.

The pro forma consolidated balance sheet shows plant account, including intangibles, to approximately \$166,707,000 and the depreciation reserves is about \$21,300,000. Subsidiaries with total plant accounts of \$102,000,000 are not presently subject to original cost, although about 30% of these may later become subject to write-downs in an amount estimated at \$3,500,000 to \$4,000,000. Of the 17 subsidiaries which have been ordered to change their books to original cost, 12 with plant accounts totaling about \$58,000,000 have completed their studies, classifying \$6,100,000 in account 100.5 and \$1,900,000 in account 107. The latter amount has been eliminated in the new balance sheet, and the \$6,100,000 is being amortized. Five companies with plant account of \$6,500,000 are still working on their original cost estimates. Thus it appears that the combined plant figure of \$166,700,000 may include in the neighborhood of \$8-10,000,000 in excess of original cost, plus an unknown amount for companies not subject to this method of accounting.

McDonald Sworn in As SEC Member

Harry A. McDonald, who was appointed by President Truman as a member of the Securities and Exchange Commission to fill out the term of the late Robert E. Healy, which expires June 5, 1951, was sworn in by Chairman James J. Caffrey in Philadelphia on March 26, and immediately took up his duties as Commissioner.



Harry A. McDonald

Mr. McDonald, in addition to having acted as President of the H. A. McDonald Creamery Company, was until his appointment, a member of the investment firm of McDonald-Moore & Company, of Detroit, Michigan. Born in Cherokee, Iowa, on June 17, 1894, Mr. McDonald attended the Law School of the University of Chicago and is a veteran of World War I. Since 1919 he has had various positions, chiefly in the ice cream and dairy products line and in 1921-23 was employment manager of the Cleveland Electric Illuminating Company. Since 1934 he has been President of the H. A. McDonald Creamery Company. In politics, Mr. McDonald is a Republican. He is a director of the Detroit Board of Commerce.

N. Y. Munic. Bond Club 14th Annual Field Day

The Municipal Bond Club of New York will hold its 14th annual Field Day at the Sleepy Hollow Country Club, Scarborough-Hudson, New York, on Friday, June 20.

Members of the Field Day Committee are:

Frank L. Lucke, Laidlaw & Co., Chairman; Leonard R. Sullivan, Phelps, Fenn & Co., and James D. Topping, Braun, Bosworth & Co., Sub-Chairman; P. Hurley Bogardus, Barr Bros. & Co.; Frank J. Brophy, R. S. Dickson & Co.; Thomas C. Cafone, W. E. Hutton & Co.; Marquette deBary, Harris, Hall & Co.; Eugene L. DeStaebler, F. S. Moseley & Co.; Gordon B. Duval, Guaranty Trust Co.; George B. Gibbons, Jr., Geo. B. Gibbons & Co., Inc.; William T. Hall, Jr.; Edward H. Hills, Eldridge & Co.; Harold E. Leaf, R. D. White & Co.; Albert J. Milloy, First Boston Corp.; Richard N. Rand, B. J. Van Ingen & Co.; William J. Riley, and Joseph F. Vandernoot, R. W. Pressprich & Co.

Kaiser & Co. Admitting Meyerson & Stecher

SAN FRANCISCO, CALIF.—Kaiser & Co., Russ Building, members of the New York and San Francisco Stock Exchanges, and other leading exchanges, will admit Harry Meyerson and Henry Stecher to partnership in the firm as of April 10. Both have been with the firm for some time, Mr. Meyerson being in charge of the brokerage department.

Hemphill, Noyes Adds

Hemphill, Noyes & Co., 15 Broad Street, New York City, announce that the following have become associated with their firm as registered representatives: Roscoe B. Ayers, Jr., Alfred J. Coyle, Stephen B. Finch, John C. McLeod, and William L. Sneed.

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Federal Government Must Relinquish Consumer Credit Control

By HON. JAMES C. DAVIS

Member House of Representatives from Georgia

Congressman Davis, explaining his bill to cancel Regulation W, contends present government control entails burdensome reporting by business, is no longer defensible as wartime measure, hinders peacetime production, and is undemocratic in its application.

On March 10, 1947, I introduced H.R. 2443, a bill to cancel Regulation W and to prevent regulation of consumer credit by the Federal government.

Regulation W, issued by the Board of Governors of Federal Reserve System, was adopted Aug. 21, 1941, to become effective Sept. 1, 1941. It was issued under authority of Presidential Executive Order No. 8843, dated Aug. 9, 1941.

Regulation W now applies to down-payment and maturity requirements on 12 major categories of consumers durable goods. Its regulations apply to any person who is engaged in the business of making extensions of installment credit in amounts of \$2,000 or less or discounting of Purchasing obligations arising out of such extensions of credit, whether the person is a merchant, bank, loan company or finance company.

It affects the business of every dealer in automobiles, stoves, washing and ironing machines, refrigerators, radios, sewing machines, vacuum cleaners, and other listed articles.

It requires that every credit installment buyer of automobiles, and all other listed articles except certain items of household furniture, must pay at least one-third of the purchase price as a cash payment, and must pay the remaining two-thirds of the purchase price in not less than fifteen months.

It further requires that every merchant and dealer who makes installment credit sales of these listed items, and every bank, finance company, or individual, who lends money to buy these articles, or who buys purchase money notes executed for them, must be registered with, and have a license from the Federal Government to do business, and may be prosecuted for violation of the regulations, and punished by a fine of \$10,000 or imprisonment for 10 years, or both.

The enforcement of this regulation necessarily means the making of detailed reports by the business man, and a force of federal employees large enough to review all these reports and to enforce the requirements of the regulation.

Regulation W was inaugurated as a temporary war-time measure when there was a need for control of the use of installment credit, because the manufacture and sale of the articles affected were absorbing resources needed for national defense.

The situation now has changed. Instead of decreasing peace time production, the need now is to increase peace time production.

Production of these listed items has not yet caught up with the demand for them. However, there is a point in the immediate future where production of these goods will catch up with demand for them, and when that point is reached, Regulation W will greatly retard sales of these articles.

It is undemocratic in its application. The purchaser of a car priced more than \$2,000 is not affected by it, yet a man who buys a lower priced car is obliged to comply with its strict terms. There are many veterans and others who want to establish homes, buy furniture, possibly washing machines, refrigerators and the like, and possibly an automobile, and pay for all these items in regular installments from their salaries. Unless Regulation W is cancelled,

many wage earners will be unable to buy these articles. A continuation of Regulation W will make it difficult indeed for many housewives to purchase articles which would materially add to the comfort and convenience of the family, such as washing machines, ironing machines, stoves, refrigerators, radios, vacuum cleaners, and many other items of household and kitchen furniture.

The removal of these restrictions will help the American veterans and American workers to reestablish their own homes and their own family lives by their own work and labor, and on terms which they can meet. Its removal will cause markets to expand and production to increase. It will give more work to labor and more investment to capital, and will contribute to prosperity of America as a whole.

Last but not least, one of the beneficial effects of canceling Regulation W will be to relieve this section of American business from government regimentation and to reestablish to that extent, the American system of free enterprise. The removal of this regulation will be quite a step in the direction of that goal toward which the American people have been looking, namely, that the Government will get out of business, and let the American people get back into business.

Forming Oppenheimer, Vanden Broeck & Co.

Oppenheimer, Vanden Broeck & Co., members of the New York Stock Exchange, will be formed as of May 1st with offices at 40 Exchange Place, New York City. Partners will be Winfried H. Oppenheimer, Alfred L. Vanden Broeck, Frank Neu, Robert R. Lansburgh, the Exchange member, general partners, and Robert J. Ullman and George W. Ullman, limited partners.

Mr. Lansburgh has been active as an individual floor broker and prior thereto was a member of Bear, Stearns & Co. Mr. Neu in the past represented Bear, Stearns & Co. in Amsterdam, Holland.

Looking Ahead in Casualty Insurance

By BENJAMIN RUSH, JR.*

Vice-President, Indemnity Insurance Co. of North America

Casualty insurance executive traces rapid growth of this field in last quarter-century and forecasts continued expansion, with more profitable results, particularly in automobile, workmen's compensation, and aviation risks. Predicts great increase in premiums and a reasonable competitive rate structure, as result of implications in Public Law 15. Advocates multiple line underwriting and simplification of policy forms.

Twenty-seven years ago, in 1920, then as now, two years had elapsed since the end of a great war. And what was the situation in 1920? In the spring of 1920 Senator Warren G. Harding was nominated for President by the Republicans and was elected to that



Benjamin Rush, Jr.

office in November. F. D. Roosevelt was nominated for Vice-President by the Democrats. National Prohibition became effective in January 1920. Women's Suffrage was finally adopted the same year and, to quote from a history of that time, "serious labor troubles threatened during the latter months of the year. A general coal strike in the bituminous fields was prevented only by the prompt action of the government in declaring the strike illegal and issuing an injunction preventing the leaders from permitting the men to strike." Is there not a familiar sound to this? The national debt was considered to be so large, standing at \$24,299,000,000, that it was doubted whether it could ever be paid out of an annual income of \$65,928,000,000. And what about the casualty business, that upstart in the insurance family that was outgrowing its breeches so fast that benevolent parents, with an eye towards the profitable employment of this strapping youngster, were creating new clothes for him in the form of dozens of newly organized casualty companies.

Growth of Casualty Insurance

In 1920, stock casualty premiums had reached the amazing total of \$416,505,144, an increase of over 400% in the last decade. Respectable old insurance agents who for years had refused to handle other lines than fire and marine were finally opening casualty departments and new agencies were springing up everywhere.

Let us briefly review the developments of the next two decades. By 1930, stock casualty premiums had doubled and stood at over

*An address by Mr. Rush before the Minnesota Association of Insurance Agents, St. Paul, Minn., March 28, 1947.

\$800,000,000, increasing by another \$100,000,000 during the 1930's to stand at over \$900,000,000 in 1940. By 1945, the staggering total of \$1,324,890,000 had been reached. Think of it! So much for the past; what about the future?

This amazing growth of the business only indicates to me that casualty insurance has come of age. Now that the youngster has matured, a full and useful life for him stretches into the future. There is no question but that the development of the automobile, particularly from 1915 to 1930, played a very important part in this great growth. The production of motor vehicles reached an all-time high in 1929 of 5,358,000 units and the automobile thus became, instead of a luxury for the few, a necessity for the many. It is interesting to note that the production of so many units was secured on an annual national income of approximately \$68,000,000,000.

According to the United States Public Roads Administration, the highest number of automobile registrations was reached in 1941, with a total of 34,400,000, which dropped in 1946 to approximately 30,000,000.

Various estimates have indicated that a replacement demand of 22,000,000 units in the next three years cannot be considered excessive, whereas the estimated production for a similar period is only 18,000,000 units. This would indicate that, barring strikes and other production delays, it will take approximately four years to fill the demand. At the end of this time, it is estimated that there will be over 40,000,000 registrations in the United States, which represents an increase of 25% over the number of registrations in 1946. I am not aware upon what this estimated replacement demand of 22,000,000 units has been based but, with an annual

(Continued on page 48)

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Appeal—Letter on currently depressed stocks which appear attractive—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Auto Equipment Companies—Analysis—Kalb, Voorhis & Co., 15 Broad Street, New York 5, N. Y. Also available is a memorandum on International Telephone & Telegraph.

Companies Which May Earn More in 1947 Than in 1946—Circular containing comprehensive statistical data on 1182 stocks—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Comparative Insurance Stock Prices—Based on earnings for 12 months ended Dec. 31, 1946—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Earnings Comparison of Fire & Casualty Insurance Stocks for 1946—Circular—Laird, Bissell, & Meeds, 120 Broadway, New York 5, N. Y.

Motion Picture Industry—A Study—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Pennsylvania Legal Bonds—Compilation—Stroud & Co., Inc., New York 5, N. Y.

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Also available are valuations and appraisals of Railroad Equipment Certificates and City of Philadelphia Bonds.

Public Utility Common Stocks—Brochure containing brief sketches of 10 stocks set up in "package" form—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Issues discussed are Arkansas-Missouri Power, Black Hills Power & Light, Central Illinois Electric & Gas, Central Maine Power, Iowa Southern Utilities, Lake Superior District Power, Puget Sound Power & Light, Virginia Electric & Power, West Virginia Water Service, and Western Light & Telephone.

Also available is the current issue of the **Republic Utility Stock Guide** containing quotations on public utility preferred and common stocks.

Railroad Developments of the Week—Summary—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Aerovox—New circular—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

American Box Board Co.—Circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Aspinook Corporation—Circular—Ward & Co., 120 Broadway, New York 5, N. Y.

Also available are memoranda on W. L. Douglas Shoe Co.; Hartford Empire; Lanova Corp.; Mohawk Rubber; and Taylor Wharton Iron & Steel; Purolator Products; Upson Corp.; Alabama Mills; Pfandler, Corp.; United Artists; Vacuum Concrete; Barcala Mfg.

Barnsdall Oil—Memorandum—Newburger & Hano, 61 Broadway, New York 6, N. Y.

Barnsdall Oil Company—Detailed circular—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

Boston & Maine Railroad—Circular—Walter J. Connolly & Co., 24 Federal Street, Boston 10, Mass.

Central Public Utility 5½'s of '52 and Consolidated Electric and Gas \$6 Preferred—Detailed Review and discussion of nature and current operations of the various subsidiaries making up the system, in the March issue of the "Investment Barometer"—Fred. W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Central Steel & Wire Company—Memorandum—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

Cleveland Electric Illuminating Co.—Analysis with particular reference to its investment position as an operating utility equity—Rosenthal & Co., 60 Beaver Street, New York 4, N. Y.

Columbia Gas & Electric Corp.—Memorandum discussing prospects—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Comercial Solvents Corporation—Memorandum—Jacobs & Low, 61 Broadway, New York 6, N. Y.

Consolidated Dearborn Corp.—Circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available is a circular on **Foundation Company**.

Cudahy Packing Co.—Memorandum on the common stock—John Nickerson & Co., Inc., 61 Broadway, New York 6, N. Y.

L. A. Darling Co.—Descriptive brochure and annual report—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Dumont Electric Company—Report—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Also available are memoranda on **Le Roi Company** and **York Corrugating Company**.

Finch Telecommunications—Circular—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Also available are circulars on **National Paper & Type**, **Polaroid Corporation**, and **Monroe Auto Equipment**.

Hanson-Van Winkle-Munning Co.—Detailed analysis—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

R. Hoe & Co., Inc.—New circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Hydraulic Press Manufacturing Co.—Detailed Analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available are analyses of **Long Bell Lumber Co.**, and **Miller Manufacturing Co.**

Byron Jackson Co.—Discussion of situation—Sartorius & Co., 39 Broadway, New York 6, N. Y.

Kendall Company—Analysis—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

Lime Cola Co.—Late data—Thornton, Mohr & Co., First National Bank Building, Montgomery 4, Ala.

Long Bell Lumber—Memo-

New Directors of Commercial Credit Company



Left to Right: Charles J. Zimmerer, Vice-President and Senior Financial Officer; W. Bruce Wylie, Vice-President of Commercial Credit Company and President of Commercial Credit Corporation, Baltimore; E. E. Yaggy, Jr., President, Gerotor May Company, Baltimore; Thomas B. Butler, President, Safe Deposit & Trust Company, Baltimore.

random—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa. Also available are memoranda on **Bird & Son, Inc.** and **Gruen Watch Co.**

Metal Forming Corporation—Memorandum—First Colony Corporation, 52 Wall Street, New York 5, N. Y.

Missouri Utilities Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

New England Gas & Electric Association—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Oliver Corporation—Study of prospects as speculation—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Public National Bank & Trust Co.—First quarter analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Also available is an offering circular on **Stern & Stern Textiles, Inc.**

Public Service Corporation of New Jersey—Detailed memorandum—Bear, Stearns & Co., 1 Wall Street, New York 5, N. Y.

Also available is a comprehensive circular on **Pullman, Inc.**

Ralston Steel Car Co.—Up-to-date Circular—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Rockwell Manufacturing Co.—Analysis—Steiner, Rouse & Co., 25 Broad Street, New York 4, N. Y.

Showers Brothers Co.—Analysis—Caswell & Co., 120 S. La Salle Street, Chicago 3, Ill.

United Artists Theatre Circuit Incorporated—Discussion of speculative prospects—Ward & Com-

pany, 120 Broadway, New York 5, N. Y.

United Cities Utilities Co.—Card memorandum—Ray T. Haas, 231 South La Salle Street, Chicago 4, Ill.

Utica & Mohawk Cotton Mills, Inc.—Circular—Mohawk Valley Investing Co., Inc., 238 Genesee Street, Utica 2, N. Y.

Warner Co.—Memorandum on outlook—H. M. Byllesby and Co., Stock Exchange Building, Philadelphia 2, Pa.

S. D. Warren Co.—Analysis—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

Also available is a detailed report on **Hytron Radio and Electronics Corp.**

West Ohio Gas Company—Analysis—J. J. O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

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(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Richard A. Hanan and John M. Stine are now with Colvin, Mendenhall & Co., 127 Montgomery Street.

Joins Dean Witter Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Dean Witter & Co., 632 South Spring Street have added Neil F. Campbell to their staff.

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(Special to THE FINANCIAL CHRONICLE)

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Labor and Wage Prospects for 1947

By ROGER W. BABSON

Mr. Babson foresees fewer strikes and change in labor's attitude in industrial disputes. Holds better labor situation is due to removal of price controls and changed political complexion. Predicts some industries will grant wage increases in 1947, and points out need for practice of basic principles.

The economic well-being of any country is largely determined by (a) the amount of food, homes, clothing, recreation, etc., which is produced by its people; and (b) the way these goods and services are divided up among you and me and our neighbors. If, therefore, we are to be prosperous in 1947 we must produce. We cannot afford to lose another 110,000,000 man-days through some 6,027 strikes as we did in 1946.



Roger W. Babson

Strikes on the Wane

It is my belief that the struggle between management and labor has already begun to slough off. Of course, there will be continued demands for small wage increases. Where industries cannot afford further basic wage increases there will probably be demands for certain concessions as portal-to-portal pay, paid sick-leave, increased paid holidays, health and welfare funds, etc.

There is no question but that some of these demands are legitimate. The real trouble is that many of them are simply camouflage to cover up the real struggle between the unions, owner-management and the government for the control of industry. Knowing this, both employers and employees ought to muster every ounce of courage and common sense in order to negotiate wisely, not only for their own mutual benefit, but for the ultimate preservation of our American way of life.

Reasons for Labor's Change in Attitude

While strikes will remain a nuisance, a thorn in the flesh, if you will, of industry throughout 1947, the fact remains that the incidence of strikes has tumbled appreciably since November (July '720; September 541; November 477; December 228; January 191). I attribute this change for the better to:

(a) the fact that price controls have been lifted, which allows a greater latitude for bargaining;

(b) the political complexion has changed considerably in recent months;

(c) a warning handwriting is very clearly upon the wall for future strikers. Messrs. Green, Lewis and Murray all have sense enough to know that under present conditions continued belligerence and aggression can only lead to public hostility and a possible immediate retaliation from the new Congress. In the light of these trends I predict that 1947—much to the surprise of many employers and employees alike—may see the fewest critical labor disputes since 1939.

Wage Outlook for 1947

As a result of this return to normalcy there have been during December and January some wage increases for workers in the Trucking, Clothing Stores, Cotton Textiles, Printing, Painting, Plumbing, and Shipping industries. You can expect that where unrest continues, the greatest pressure for wage increases and fringe concessions will probably come from the Shipping industries, Motion Pictures, Chemicals, Household Furnishings, Radio and

Metal Fabricating. Reason: The desire of the unions to share the reputedly high profits in these businesses.

Frankly, I am not now too concerned over this upheaval. I believe that after union labor has

secured real power, it will find that its employers are better friends than its labor leaders. Labor will not give up collective bargaining and certain other new privileges; but it will listen more to the advice of its resident employers than it ever did before. This means that when the liberal interests are faced with full responsibilities, they become much more conservative and demand "checks and balances" for their own protection.

The Need for the Practice of Basic Principles

Bear in mind these truths, however: Three fundamental economic principles must be understood before we can realize any true measure of prosperity. These

are:—(1) Only by increasing our national production will there be more to divide; (2) Our true national income can be increased most readily by extending free enterprise with a minimum of interference by government bureaucrats; (3) The masses are on the march and we should not handicap legitimate desires to better their condition.

Grimsditch With Fairman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Norman V. Grimsditch has become associated with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Grimsditch was previously with Carter H. Corbrey & Co.

Chicago Brokers Favor Five-Day Week

CHICAGO, ILL.—A city-wide poll of Chicago stock brokers revealed that they are overwhelmingly in favor of year-round Saturday market closings, and lower margin requirements, according to the Stock Brokers' Associates of Chicago. 426 brokers were in favor of Saturday closing with 51 opposed; 281 favored extension of trading hours, and 142 were opposed.

On the margin requirements, 429 favored reducing the present 50% requirement, with 37 opposed.

This announcement is under no circumstances to be construed as an offer of these securities for sale or as a solicitation of an offer to buy any of such securities. The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned as are registered dealers in such State.

NEW ISSUE

March 28, 1947

\$50,000,000

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Dated January 1, 1947

Due as shown below

Under the provisions of the Acts of Congress now in force, the bonds and income therefrom are, in the opinion of counsel, exempt from Federal income and State taxation.

The bonds are subject to redemption prior to their respective maturities, upon not less than 30 days' prior published notice, either in whole on any date on or after January 1, 1950, or in part, by lot, in inverse order of their maturities from moneys in the Sinking Fund, on any interest payment date not earlier than January 1, 1952, at the following prices, plus accrued interest: 104% on or prior to July 1, 1956; 103% thereafter and on or prior to July 1, 1961; 102% thereafter and on or prior to July 1, 1966; 101% thereafter and on or prior to July 1, 1971; 100% thereafter.

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AMOUNTS, INTEREST RATES, MATURITIES AND YIELDS (OR PRICES)

Amount	Interest Rate	Maturity	Yield to Maturity	Amount	Interest Rate	Maturity	Yield to Maturity (or Price)	Amount	Interest Rate	Maturity	Price
\$ 50,000	2 3/4%	1947 July 1	.75%	\$725,000	2 3/4%	1957 July 1	2.15%	\$ 960,000	2 3/4%	1968 Jan. 1	99
270,000	2 3/4	1948 Jan. 1	.90	735,000	2 3/4	1958 Jan. 1	2.20	975,000	2 3/4	July 1	99
280,000	2 3/4	July 1	1.10	745,000	2 3/4	July 1	2.20	985,000	2 3/4	1969 Jan. 1	98 1/2
430,000	2 3/4	1949 Jan. 1	1.20	755,000	2 3/4	1959 Jan. 1	2.25	1,000,000	2 3/4	July 1	98 1/2
435,000	2 3/4	July 1	1.30	765,000	2 3/4	July 1	2.25	1,010,000	2 3/4	1970 Jan. 1	98
490,000	2 3/4	1950 Jan. 1	1.40	780,000	2 3/4	1960 Jan. 1	2.30	1,025,000	2 3/4	July 1	98
495,000	2 3/4	July 1	1.50	785,000	2 3/4	July 1	2.30	1,035,000	2 3/4	1971 Jan. 1	97 1/2
550,000	2 3/4	1951 Jan. 1	1.60	795,000	2 3/4	1961 Jan. 1	2.35	1,050,000	2 3/4	July 1	97 1/2
555,000	2 3/4	July 1	1.65	810,000	2 3/4	July 1	2.35	1,065,000	2 3/4	1972 Jan. 1	97
550,000	2 3/4	1952 Jan. 1	1.70	820,000	2 3/4	1962 Jan. 1	2.40	1,075,000	2 3/4	July 1	97
560,000	2 3/4	July 1	1.75	830,000	2 3/4	July 1	2.40	1,090,000	2 3/4	1973 Jan. 1	97
640,000	2 3/4	1953 Jan. 1	1.80	840,000	2 3/4	1963 Jan. 1	2.45	1,100,000	2 3/4	July 1	97
650,000	2 3/4	July 1	1.85	855,000	2 3/4	July 1	2.45	1,115,000	2.70	1974 Jan. 1	100
655,000	2 3/4	1954 Jan. 1	1.90	865,000	2 3/4	1964 Jan. 1	2.50	1,135,000	2.70	July 1	100
670,000	2 3/4	July 1	1.95	880,000	2 3/4	July 1	2.50	1,150,000	2.70	1975 Jan. 1	100
680,000	2 3/4	1955 Jan. 1	2.00	890,000	2 3/4	1965 Jan. 1	2.55	1,160,000	2.70	July 1	100
685,000	2 3/4	July 1	2.05	905,000	2 3/4	July 1	2.55	1,180,000	2.70	1976 Jan. 1	99 1/2
695,000	2 3/4	1956 Jan. 1	2.10	915,000	2 3/4	1966 Jan. 1	100	1,190,000	2.70	July 1	99 1/2
705,000	2 3/4	July 1	2.10	925,000	2 3/4	July 1	100	1,210,000	2.70	1977 Jan. 1	99 1/2
715,000	2 3/4	1957 Jan. 1	2.15	935,000	2 3/4	1967 Jan. 1	99 1/2	1,225,000	2.70	July 1	99 1/2
				950,000	2 3/4	July 1	99 1/2				

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Pennsylvania Brevities

Alan Wood Stockholders Want Action

At the annual meeting of Alan Wood Steel Co., a preferred stockholders' group, headed by Henry P. Carr and Joseph L. O'Brien, Philadelphia security dealers, demanded that the management take constructive action in respect to adopting a plan of recapitalization. Carl W. Fenninger, chairman of a committee appointed by the management a year ago to study possible plans of recapitalization, told stockholders his committee

had studied various aspects of the situation and had found it difficult to arrive at any plan that would do justice to all parties at interest.

In contrast to the committee's inability to report a plan, the preferred stockholders' group presented a plan of its own. Moreover they indicated a deadline of Aug. 1, 1947, by which time a satisfactory plan should be approved. In the event of management's failure to provide a plan by that date, the group threatened to institute court proceedings and bring about liquidation of the company and distribution of its assets.

The stockholders' plan provides for the issuance of \$50 in cumulative convertible 5% debentures due 1967, callable at 100; 10 shares of cumulative convertible 5% preferred stock, par \$10, callable at 11½, and \$5 in cash for each share of present preferred. Accumulations on the present preferred were \$55 per share at the end of 1946.

The plan provides that each present share of common would be exchanged for one share of common, par \$1, and the company would be authorized to issue an additional 2,000,000 shares of common to be sold publicly at \$6 per share.

The debentures and new preferred would be convertible into common at \$6.25 per share until 1957 and at \$10 thereafter until 1967.

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Pennroad is, and has always been considered, an investment trust. It operates no rolling stock.

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Yet something that might be lightly described as a "lawyers' club car" rolled into the company's Philadelphia terminal last Monday when U. S. District Judge George A. Welsh announced that legal fees aggregating \$2,485,000 had been recommended to be paid to 16 attorneys and three stockholders' committee members who successfully prosecuted suits against the Pennsylvania Railroad. Damages amounting to \$15,000,000 were awarded and paid to Pennroad last year. Pending final determination of legal fees, \$3,000,000 was set aside for this contingency and \$12,000,000 added to capital surplus.

The largest fee recommended — \$1,950,000 — would go to a group including the law firm headed by former U. S. Senator Daniel Hastings of Wilmington; the firm of Evans, Bayard and Frick, Philadelphia; Marshall, Carey and Doub, Baltimore, and Hugh F. O'Donnell, New York. This group had been chief counsel for Pennroad for 11 years.

In its annual report, United Gas Improvement Co. states that sales of gas by its subsidiary, Philadelphia Gas Works Co., in 1946 were largest in history, totaling 27,514,042,000 cubic feet, an increase of 6.7% for the year. Operating revenues of \$21,615,732 also set a new mark.

Penna. Veterans' Bonus

It will take a constitutional amendment to make possible the payment of a state bonus to the veterans of Pennsylvania, but Representative Baker Royer (R. Lancaster) has already proposed the necessary legislation. Authorization will be sought for a bond issue not to exceed \$500,000,000.

It is contemplated that the method of payment will include a formula providing that ex-service men and women will receive \$10 a month for domestic service and \$15 per month for overseas duty, with a \$500 "ceiling."

Sewage Bids Received

Bids for construction of the first step in Philadelphia's \$38,000,000 sewage disposal system—extension of the Northeast Sewage Treatment Works — have been

received at the Department of Public Works. Virginia Engineering Co., Newport News, submitted the lowest of five bids, \$3,543,951. The highest bid, \$3,965,625, was tendered by Francis A. Canuso & Sons, Philadelphia.

The bids were within the \$4,000,000 estimated by department officials as the cost of constructing settling and aeration tanks and the main conduit within the plant area. Bids did not include construction of about 10 miles of intercepting sewers in the area drained by the proposed sewage works.

Following the pattern of New York, the Philadelphia Stock Exchange will close Saturdays beginning May 31 through June, July, August and September.

Philadelphia Transportation Co. has sold privately during March \$5,094,000 equipment trust certificates to finance the purchase of new equipment ordered for delivery this year. On order are 210 streamlined street cars and 65 trackless trolleys. During 1946, 83 new passenger vehicles, all buses, were placed in service. The equipment certificates mature serially over 10 years and bear an average interest rate of 2.56%.

Personals

Joseph N. Pew, Jr., Chairman of the board of Sun Oil Co., has announced the establishment of a 5-member executive committee to administer policies and coordinate company operations. In addition to Mr. Pew, members are Robert G. Dunlop, President; S. B. Eckert, Vice-President in charge of marketing; C. H. Thayer, Vice-President in charge of manufacturing, and John G. Pew, Vice-President in charge of production.

J. Robert Storey, former Vice-President, has been elected President of Camp Curtin Trust Co., Harrisburg, to succeed the late R. A. Enders.

P. A. Staples has been elected President and Chairman of the board of Hershey Chocolate Corp., to succeed W. F. R. Murrie, retired.

Philip H. Cooney, Vice-President in charge of investments, Insurance Co. of North America, has been elected a director of Pennsylvania Power & Light Co.

David H. Harshaw has been elected President of John B. Stetson Co., filling the vacancy created by the death of George L. Russell, Jr.

Corporate Shorts

Pennsylvania Company for Insurance on Lives and Granting Annuities, one of the state's largest banking institutions operating 18 offices in Philadelphia and suburbs, has officially shortened its cumbersome title to Pennsylvania Company for Banking and Trusts.

"Our firm was originally chartered in 1812 as a life insurance company," William Fulton Kurtz, President, explained. "It discontinued its life and annuity busi-

ness about 1870, and since that time has been a banking and trust company.

"Needless to say, our very long and misleading title had often caused confusion in the public mind and it was to correct that situation that the change in name was made."

At the annual stockholders' meeting scheduled for April 23, stockholders of Wawaset Securities Co. are expected to approve the company's "down-stream" merger with its operating subsidiary, Warner Company. In the distribution of assets, the holder of each share of Wawaset common will receive 1.9 Warner Company common. In addition, a cash dividend of 32 cents per share will be paid to Wawaset holders on April 25.

Pennsylvania Power & Light Co. has arranged for a loan of \$11,000,000 for two and a half years at 1½% interest. The Chase National Bank is acting as agent for a group of nine banks which will supply the funds. Proceeds will be used in connection with the company's \$27,000,000 construction and expansion program.

Barium Steel Corp. has sold Jacobs Aircraft Engine Co., Pottstown, Penna., for \$1,500,000 to A. R. Jacobs, Vice-President and General Manager. During 1946, Barium acquired control of seven plants, including Central Iron & Steel Co. of Harrisburg.

Electric Storage Battery Co., with general offices in Philadelphia, reported for 1946 consolidated net income amounting to \$3,283,510, after all charges and taxes, equivalent to \$3.62 a share on 907,810 shares of common outstanding. This compares with \$2.20 per share earned in 1945.

On Tuesday, March 11, there was another addition to the distinguished list of century-old institutions in Philadelphia. Trademans National Bank & Trust Co. observed its 100th anniversary.

Scott Paper Co., Chester, Pa., reports 1946 consolidated net earnings of \$2,019,614, after all charges, compared with \$1,756,203 in 1945. After preferred dividend requirements, net per common was \$2.07 compared with \$2.00 in 1945.

Pittsburgh Consolidation Coal Co. has announced plans for a broad research and development program aimed at the production of gasoline and gas fuel from soft coal. By the end of three or four years it is hoped to have in operation a plant costing approximately \$120,000,000 capable of turning out 400,000,000 cubic feet of gas a day. Standard Oil Development Corp. is collaborating.

Peoples Natural Gas Co. of Pittsburgh has signed contracts with Texas Eastern Transmission Corp. for purchase up to 125,000,000 cubic feet of gas daily to be delivered via Big and Little Inch.

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Industrial Price and Production Policies Need Revision

By SOLOMON BARKIN

Research Director, Textile Workers Union of America

Labor spokesman charges industrialists and publicists have confusingly dramatized issues to divert attention from industry's mistakes. Holds recent and current price and production policies gravely threaten our economy. Recommends following remedial measures: (1) fostering of technological advances; (2) ever-rising wage scale; (3) opening of industry's price and production policies to public scrutiny; and (4) price rebates in case of higher-than-anticipated returns.

The most pressing issue before the nation is industrial pricing and production policies. Labor issues have been dramatized by industrialists and publicists who sought to divert attention from industry's own practices. But the crucial determinant of the economic future and the character of our industrial relations problem in this country will be the type of price and production policies industry will follow. If they contribute to the realization of full employment; if they assure stable annual employment and make the



Solomon Barkin

annual wage a reality even though not a contractual obligation; if they moderate the cyclical booms and busts; if they contribute to an ever rising standard of living; if they inspire confidence among both consumers and producers in continued expenditure and production, they can supply the basis for a definite optimistic program of economic attitudes and industrial relations.

Labor union demands represent the people's aspirations. These can be realized along lines consistent with a dynamic expanding economy where price and production policies promote full employment at ever rising living standards. Industry's conduct must support such programs.

(Continued on page 43)

Says "Over-the-Counter" Market Is a Misnomer

R. Victor Mosley, President of National Security Traders Association, suggests a prize be given for a more appropriate name. Points out "off exchange" trading far exceeds in volume and importance transactions on the exchanges.

Speaking at a dinner sponsored by the Cleveland Security Traders Association, in Cleveland, O., on March 28, R. Victory Mosley, of Philadelphia, President of the National Security Traders Association, called attention to the important function the "traders" in the securities markets perform and said he despised the name "Over-Counter-Market" in which these security traders operate. In indicating the relative volume of business in the unlisted market Mr. Mosley stated that in 1946 the total market value of the bond business done on all stock exchanges approximated \$1,200,000,-



R. V. Mosley

000 and a few days ago in an off exchange deal \$200,000,000 of American Telephone & Telegraph debentures were sold within a few hours.

Mr. Mosley pointed out that "off exchange" trading was the oldest form of security brokerage, and mentioned among others a stock issue by passengers on the Mayflower and dealings in stock of the Bank of North America in Philadelphia which was founded in 1781. He suggested that a prize of \$500 should be given by the National Security Traders Association to the one suggesting a more appropriate name for the business to replace Over-Counter-Market. He suggested the term "National Securities Market" as much better designation for the field of operations of security traders.

Richmond NASD Dealers Sponsor Meeting

WASHINGTON, March 31—Approximately 75 representatives of Virginia securities dealers attended a meeting in Richmond, Va., March 26, sponsored by Richmond members of the National Association of Securities Dealers through Robert P. Martin, of Davenport & Co., member of District Committee No. 11 of NASD. Herbert F. Boynton, of H. F. Boynton & Co., Inc., New York City, Chairman of the Board of Governors, and Wallace H. Fulton, Executive Director of NASD, were the principal speakers. James H. Lemon, of Johnston, Lemon & Co., Washington, Chairman of District Committee No. 11, introduced the speakers.

Mr. Boynton reported on con-

ferences that had been held within the business and with the Securities and Exchange Commission and its staff on proposals looking toward amendment of the Securities Act of 1933, particularly Section 5 thereof. Mr. Boynton indicated that the NASD effort is being directed toward obtaining changes in the Act which will permit more prompt, wider and complete information on new issues of securities after they have become registered and during the so-called "waiting period." He also said that NASD is considering the advisability of supporting efforts toward improved and wider use of educational programs for people entering the securities business.

Mr. Fulton discussed administrative operations of the Association, emphasizing that District Committees and the Executive Office of NASD are anxious to be of assistance and service to the

membership. He advised the Virginia dealers that the Board of Governors, now that the Association is in a position to do so, favors calls upon members in their offices for discussion of problems in which the advice of trained personnel could be helpful.

Remer, Mitchell Dept. Under J. A. Kimball

CHICAGO, ILL. — Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street, announce the opening of a Municipal Bond Department under the direction of J. Austin Kimball. Mr. Kimball was formerly Manager of the Municipal Trading Departments of the Chicago office of Weeden & Co. and has recently been associated with Merrill Lynch, Pierce, Fenner & Beane.

This announcement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offering is made only by the Prospectus.

120,000 Shares

Michigan Gas and Electric Company

Common Stock

(\$10 par Value)

Price \$17.75 per Share

Copies of the Prospectus may be obtained from the undersigned.

Otis & Co.
(Incorporated)

Ira Haupt & Co.

Burr & Company, Inc.

Cohu & Torrey

April 2, 1947

This advertisement is not and is under no circumstances to be construed as an offering of this Stock for sale or as a solicitation of an offer to buy any of such Stock. The offering is made only by the Prospectus. The Prospectus does not constitute an offer by any dealer to sell this Stock in any State to any person to whom it is unlawful for such dealer to make such offer in such State.

NOT A NEW ISSUE

54,905 Shares

Bates Manufacturing Company

Common Stock

(\$10 Par Value)

Price \$29.25 per share

Copies of the Prospectus may be obtained in any State only from such dealers participating in this issue as may legally offer this stock under the Securities Laws of such State.

E. H. Rollins & Sons
Incorporated

Baker, Weeks & Harden

H. M. Byllesby and Company
Incorporated

Stroud & Company
Incorporated

April 2, 1947

This advertisement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.

25,000 Shares

Gardner-Denver Company

Cumulative Preferred Stock, 4% Series
(\$100 Par Value)

Price \$100 per share

(Plus accrued dividend, if any, from date of issue to date of delivery)

The Prospectus may be obtained in any State from such of the Underwriters, including the undersigned, as may lawfully distribute the Prospectus in such State.

A. G. Becker & Co.
Incorporated

April 1, 1947

Real Estate Securities

Despite the waves of optimism which sweep over the market in real estate securities with almost clock-like regularity and consistency, many investors persist in remaining bearish on the long-range trends in real estate, insisting, as it were, there are dark clouds which exist behind the silver lining. With so much talk about approaching recession, it is not surprising that real estate should be infected with the same pessimism that can be found in so many sections of the business environment generally.

When security prices plunge downward with the violence which they exhibited last September and, for that matter, to some extent since then, however, those bullish on real estate contend it is safe to say at least that the bears may have overdone the thing just a little. At the end of every major decline in security values—that is, after investors have had the chance to get their second wind, to re-examine the situation with calmer eyes—bond and stock prices do have the stubborn tendency to right themselves. As a group, investors are probably ultra-sensitive to the slightest changes in the financial weather and for that reason are undoubtedly prone to exaggerate things. When business is very obviously good, their optimism knows no bounds; let the slightest ill wind blow and they are in the depths of gloom.

Some of the more pessimistic investors are convinced that the better bond issues anyhow are either now or recently have been at their peaks in values and if the prices at which they are selling or recently have been selling change at all, they can only fall. What they are really saying is the

outlook for some properties at least has been and is still so good that bonds upon them have recovered in value to a considerable extent, in some cases almost to par. Their pessimism probably stems out of the fact that if they were to purchase such securities now they would have to wait until the bonds actually mature before realizing any substantial profit from their investment or if they own such bonds and were to sell them, they would have certain taxes to think about.

The bears can see nothing encouraging in the reports that plans are being pushed for the construction of new modern office buildings in the so-called more desirable locations. According to them, the new buildings can only hurt the old. Tenants in existing structures will flock to the new buildings, they say. Vacancies will thus appear and increase in the older structures and earnings on the older properties anyhow, if not all real estate, will have a strong tendency to fall, they reason. It could happen that the new buildings would prosper but depression would certainly fall upon the old, they think.

Those holding the opposite view feel that estimates of the harm that the new buildings can do, if

they can do any harm at all, are being grossly exaggerated. After all, they say, the chief reason why plans for new construction are being rushed is that demand for office space is so very great.

The bears predict that the time is not far when in the financial district at least, some of the small firms will decide to go out of business, merge with some other houses, or double up in order to cut down expenses, including the expense of rent. There may indeed be signs of contraction in business all around, including the securities business where volume of trading today admittedly is not what it was, but nevertheless small firms are not closing their doors, nor is anything heard, yet at least, about possible mergers, and the fears of the bears, it appears, are all in the future, say those on the bullish side.

Many market analysts feel that prices generally may drop in the near future but that they will not drop to prewar levels. Anyhow, until the great catastrophe of a general price decline actually does materialize, they say, it can be only speculation to say that a depression is inevitable. Some well-informed people, however, are taking the view that as soon as order can replace chaos in Europe, the business environment in this country, as in the whole world, will become more cheerful. It is the general economic environment which determines values, they say. At the moment, however, actual deterioration of the business environment, they hold, would seem to be not so much a fact as a fear.

Morris Sitkoff Will Open Own Offices

Morris T. Sitkoff will open his own investment business with of-



Morris Sitkoff

ices at 42 Broadway, New York City. Mr. Sitkoff has been a partner in Lambuth & Co. and prior thereto was with James D. Cleland & Co.



REAL ESTATE SECURITIES

SHASKAN & CO.

Members New York Stock Exchange
Members New York Curb Exchange
40 EXCHANGE PL., N.Y. Dlgby 4-4950
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California & New York Real Estate Issues

J. S. Strauss & Co.

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Today's Shaky Real Estate Market

By ELLIOTT V. BELL*

Superintendent of Banks, New York State

Holding sustained recovery can be achieved only by a sound period of expansion in real estate field, New York Banking Superintendent warns construction costs have advanced beyond bulk of home seekers' ability to meet, and is driving prospective purchasers out of market. Urges caution in appraisals and conservation in real estate financing as a factor in preserving the whole economy.

Behind every real estate loan there is an appraisal. Bad appraisals make bad loans; bad loans make for ultimate losses, deflation and distress.

The appraisal of real estate values is peculiarly difficult today, yet there was never a time when so much depended upon competent, honest appraisal work. We are in a period of pronounced inflation—



Elliott V. Bell

inflation growing out of a great world war and 17 years of deficit financing. Real estate is especially inflated. There is today danger of an inflationary boom in real estate that could only result in a subsequent bust. Clearly this is a time for caution and courage.

In the face of the current postwar inflation there is much apprehension of a general setback in business later this year. Most economists predict a recession, although they say it will be mild. The stock market for months has been shouting that it sees trouble ahead.

It is a simple, historic fact that wartime price inflations in the past have invariably reached their peak within two years after the shooting stops. The great question is whether the normal primary postwar reaction which everyone is expecting, is going to be short and mild or long and severe.

Expansion Needed in Construction Industry

Now one thing that could lift us out of such a recession and give backbone to a sustained recovery would be a major expansion in the construction industry. The construction industry normally employs more workers than any other single industry. It pays higher average wages than any industry save anthracite coal mining. It can assert a profound influence upon the general level of economic activities.

It is, I think, very important that we should have a sustained revival of building in this country. It is important to all the GI's and their young brides who want homes of their own. It is important to all the industries that supply building materials. It is important to the banks and insurance companies and other thrift institutions that need good mortgages for the investment of people's savings. It is important

*Address by Mr. Bell before the 7th Annual Appraisal Conference of the New York State Society of Real Estate Appraisers, New York City, March 28, 1947.

for the welfare of our entire economy. That means it is important to the Greeks and the Armenians and the Portuguese and the Dutch, and all the other people of all the nations all over the earth, because inflation and deflation in the United States cast their shadows clear across the world.

The very hope of peace itself rests upon the ability of our country to achieve a sustained recovery, and that question in turn rests to a considerable degree upon whether we are going to have in the field of real estate a sound period of expansion or another speculative boom and bust.

Factors Favoring Expansion

Powerful factors, both long-term and short-term, favor expansion in the building field. World War II interrupted the rising phase of a major construction cycle which started in the mid thirties. The war itself reinforced the factors making for expansion in the field of construction. There was a great rise in incomes, a great accumulation of savings, an increase in marriages, a large internal migration of people. All of these things greatly increased the demand for housing and the means for satisfying that demand. The construction industry has before it at this moment a tremendous market, good for many years to come. The danger is that the construction industry is pricing itself out of that market.

Most of you, I think, are fairly familiar with the facts. The construction costs of a standard six-room house are today about 70% over prewar figures on a national average. In one large city in this State construction costs rose 22% last year and are now 83% above the average for 1935 to 1939. According to one authority a standard six-room house built in a midwestern city which cost less than \$4,500 in 1933 costs practically \$13,000 today, an increase of 190%. The rise in cost since 1939, according to this measure, has been 120%.

The Office of Housing Expediter estimates that the average cost of the new permanent housing units that will be built this year will be \$7,200. I think most of us know that it has not been possible, in this neighborhood, to buy much of a house for \$7,200 lately. Yet how many people can afford to pay even that much for a house?

According to some careful studies published in the Federal Reserve Bulletin last summer, 70% of the family units in this country had incomes of \$3,000 or (Continued on page 22)

OFFERINGS WANTED

Broadway-New St. 3s 1961 WS	New York Athletic Club 2s 1955
Broadway-Trinity Pl. 4½s 1969 WS	Pittsburgh Hotels VTC
Broadway & 41st St. 4½s 1954	Roosevelt Hotel 5s 1964
Brooklyn Fox 3s 1957 WS	Roosevelt Hotel Common
Film Center 4s 1949	Shermuth Corp. 5½s 1956 WS
A. M. Greenfield 5s 1954	Wall & Beaver St. 4½s WS
Hotel St. George 4s 1950	Westinghouse Bldg. Par. Cfts. CBI
Lincoln Bldg. 5½s 1963 WS	61 Broadway Corp. Stock
National Hotel Cuba 6s 1959 WS	79 Realty 5s 1948 WS
1410 Broadway 5s 1948 WS	

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150 Broadway
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This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offer is made only by means of the Prospectus.

NEW ISSUE

April 2, 1947

77,625 Shares

New England Gas and Electric Association

(A Massachusetts Trust)

4½% Cumulative Convertible

Preferred Shares of Beneficial Interest

Par Value \$100 Per Share

Price \$103 per share

Plus accrued dividends

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which such Prospectus may legally be distributed.

The First Boston Corporation

Mlyth & Co., Inc.

Eastman, Dillon & Co.

Goldman, Sachs & Co.

Harriman Ripley & Co.
Incorporated

W. C. Langley & Co.

McMill Lynch, Pierce, Fenner & Beane

Stone & Webster Securities Corporation

Tiffin & Burr
Incorporated

Estabrook & Co.

Hornblower & Weeks

Lee Higginson Corporation

F. S. Moseley & Co.

Paine, Webber, Jackson & Curtis

Harris, Hall & Company
(Incorporated)

E. H. Rollins & Sons
Incorporated

G. H. Walker & Co. Hayden, Stone & Co.

E. M. Newton & Co.

Schoellkopf, Hutton & Pomeroy, Inc.

Whiting, Weeks & Stubbs

H. F. Boynton & Co., Inc.

Cooley & Company

Pacific Company of California

Chas. W. Scranton & Co.

William R. Staats Co.

Starkweather & Co.

Chace, Whiteside, Warren & Sears
Incorporated

Perrin, West & Winslow, Inc.

F. S. Smithers & Co.

Townsend, Dabney & Tyson

H. C. Wainwright & Co.

Yarnall & Co.

Should Have No Fear Of National Debt

By ABBA P. LERNER

Professor of Economics, New School for Social Research

Prof. Lerner denies it is unsound for government to get into debt, and contends that "as long as we owe it to ourselves" it is not a subtraction from national wealth or a national burden. Defends further borrowing to pay debt interest and decries need to balance government budgets. Favors so-called "Functional Finance," which uses taxes and borrowing to maintain a level of prosperity.

"Commonsense" Maxims

The common concern about balancing the budget of the Federal Government can be expressed by four simple propositions:

- It is unsound for the government to spend more than it collects in taxes and thus to get into debt.
- This could not be helped during the war, but
- Now that the war is over there can be no excuse for getting still further into debt, and
- We should repay the war debt as soon as possible in order to restore our credit in case we should need to borrow again.

These maxims of "sound finance" are unfortunately not as wise or as sound as they are plausible and popular. They are much more

dangerous than the national debt itself. This is because they are derived from a false fear which springs from a fundamental misunderstanding of the nature of national debt; and false fears are more dangerous than wild beasts. In a modern city an escaped man-eating tiger is a much less serious danger than a propensity to treat tabby cats as if they were tigers—to be frightened by every cat in the street



Abba P. Lerner

into forgetting about the automobile traffic.

The maxims of "sound finance" are based on the supposition that government debt is the same kind of thing as private debt or inter-personal debt. They come from a belief that a government which borrows money is heading for the same kind of trouble as an individual who impoverishes himself by chronically spending more than his income and getting into debt. But the national debt is not the same kind of animal.

"We Owe It to Ourselves"

The primary difference between private debt and national debt is that we owe the national debt to ourselves. The nation as a whole is not impoverished by na-

(Continued on page 47)

Federal Reserve Board Clarifies Reasons For Backing Bank-Loan Bill

Pending legislation would end government appropriations for industrial loan operations. Reserve Board contends need arises from great increase in prices, and expanded inventories and receivables resulting from rise in business volume, maintains partial-guarantee technique has been proved sound through past experience in both peace and wartime.

WASHINGTON—The Bill to provide assistance in financing small business through established banking channels, which was introduced in the Senate Jan. 27 last under the sponsorship of Senator Charles W. Tobey, Republican of New Hampshire, has been summarized and explained by the Federal Reserve Board which is recommending its adoption.

The pending bill would repeal the appropriation of about \$139,000,000 available under existing law for industrial loan operations of the Reserve Banks, and government appropriations would no longer be used for this purpose.

The bill (S. 408) would also repeal section 13b of the Federal Reserve Act, adopted in 1934, which authorizes Federal Reserve Banks to make industrial loans. Certain provisions of this section have proved so restrictive as seriously to impair the ability of the Federal Reserve Banks to assist in the financing of business.

In lieu of section 13b, the new bill would add a paragraph to section 13 of the Federal Reserve Act authorizing Federal Reserve Banks to guarantee loans made by financing institutions to business enterprises on a much more effective basis than that permitted by present law. While the Federal Reserve Banks would no longer have authority to make direct loans to business, they would be authorized to guarantee business loans subject to regulations prescribed by the Board of Governors and to the following qualifications:

- No loan guaranteed could have a maturity of more than 10 years.
- A Federal Reserve Bank could guarantee up to, but not more than, 90% of any loan.

(3) The aggregate amount of all guarantees could not exceed the combined surplus of the 12 Federal Reserve Banks.

(4) In order to insure the availability of guarantees for loans to smaller businesses, the aggregate amount of all guarantees which are individually in excess of \$100,000 could not exceed 50% of the combined surplus of the Reserve Banks.

(5) The Reserve Banks would utilize their own funds to carry out guarantees made under the bill.

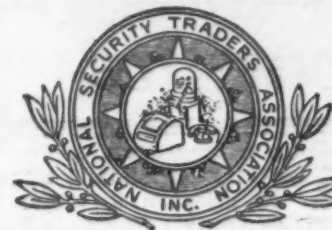
Need for the Legislation

A basic need for small, independently owned business enterprises is long-term funds. Some businesses need funds for modernization of equipment and some need special labor-saving facilities in addition to other requirements. The need also arises from the great increase in prices and greatly expanded volume of business which have come about in recent years and which have resulted in a much larger volume of accounts receivable and of inventories. Because of these various factors many enterprises whose financing needs have ordinarily been met through current borrowings now need financing on a longer-term basis.

(Continued on page 51)

Four Join Dept. of Rutter & Co., N. Y.

Rutter & Co., 20 Exchange Place, New York City, members of the New York Stock Exchange, announce that the following have become associated with the firm in the investment security department: Halsey S. Downer, formerly associated with Smith, Barney & Co. for five years; Joseph O. Rutter formerly with E. I. du Pont de Nemours & Co.; Richard Wallower, formerly with Grumman Aircraft Engineering Corp.; and Carl J. Muller, recently returned from four years' service overseas.



NSTA Notes

CLEVELAND SECURITY TRADERS ASSOCIATION

Over 350 members and guests attended the Eleventh Annual Dinner of the Cleveland Security Traders Association on March 26. Among the guests were officers of Cleveland corporations and bank and some of the city's leading attorneys, journalists and jurists. Pictures taken at the meeting appear elsewhere in the "Chronicle."

SECURITY TRADERS CLUB OF ST. LOUIS

The Security Traders Club of St. Louis inaugurated a series of monthly luncheon meetings at the DeSoto Hotel, March 26, with an attendance of 50 members.

This announcement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offering is made only by the Prospectus.

NEW ISSUES

Food Machinery Corporation

\$8,000,000

2½% Sinking Fund Debentures, due March 15, 1962

Price 100⅞%

and accrued interest from March 15, 1947

70,000 Shares

3¼% Cumulative Convertible Preferred Stock

(Par value \$100 per share)

Price \$101 per Share

and accrued dividends from March 15, 1947

Copies of the Prospectus may be obtained within any State from the undersigned only by persons to whom the undersigned may regularly distribute the Prospectus in such State.

Kidder, Peabody & Co.

Mitchum, Tully & Co.

April 3, 1947.

This announcement is not to be construed as an offer to sell or as a solicitation of an offer to buy the securities herein mentioned. The offering is made only by the prospectus.

300,000 Shares

Plymouth Rubber Company, Inc.

Common Stock

\$2 Par Value

Price \$13.50 per share

Copies of the prospectus may be obtained from the undersigned only in states in which they are qualified to act as dealers in securities and in which the prospectus may legally be distributed.

F. EBERSTADT & CO. INC.

E. W. CLUCAS & CO.

April 1, 1947.

Railroad Securities

Some railroad analysts have begun to look with greater concern at the long-term prospects of those roads heavily dependent upon the movement of coal for their livelihood. In relation to general industrial production it has been recognized for some years that the long-term trend of coal consumption, and consequently coal traffic on the railroads, has been downward. With steady technological advances, consistently more efficient fuel use has been inevitable. In addition, competing fuels such as natural gas and oil have been cutting steadily into traditional coal markets. An important example of this is to be found in the railroad industry itself, with the growing popularity of diesel power.

Heretofore the factors adversely affecting the status of coal have been of an evolutionary nature and their influences have made themselves felt only gradually. Now it is felt in many quarters that the railroads face revolutionary changes that may reach imposing proportions over a relatively short spell. The first of these was the threat of atomic power. So little is generally known about this subject and so many contradictory views have been expressed even by the experts that there was a tendency to shrug off atomic power as a threat to coal. It was felt that even if atomic energy was destined to become a major source of power it was still so far off that it need not influence investment policies.

A new factor has entered the field in recent months. Early this year Alabama Power began practical experiments on the burning of coal underground to create a gas to be piped out and used as fuel. The experiments were on a small scale and got very little publicity. The full results of the original efforts have not as yet been released. One of the primary benefits expected was that the process would allow exploitation of seams so thin or isolated that extraction is not economical.

ly feasible. If the experiments are fully successful the process could well replace a significant volume of coal now moving by rail.

The most recent development is on a considerably larger scale and has received a large amount of publicity in the press. Early last week Pittsburgh Consolidation Coal and Standard Oil Development Co. announced plans for the construction of a pilot plant for gasification of coal. The pilot plant is to be erected at Library, Pennsylvania, where Pittsburgh Consolidation has large holdings of coal land. If the pilot plant is successful it is planned to begin construction of the initial commercial plant by the end of 1949 with production planned for 1951.

According to the press reports this initial commercial plant would have a capacity of 400

million cubic feet of high heat value gas daily. This gas can, if the experiments as a whole prove successful and the process is economically feasible, be used directly as fuel or further processed into high octane gasoline and/or oil. One of the benefits expected to stem from this gasification is that it would make possible the utilization of large reserves of low grade coal.

It is obvious that no matter how successful these experiments in gasification of coal may be the railroads are not going to lose all, or even a major portion of, their coal tonnage. The steel industry, for one thing, would still need a large tonnage of coal in its operations no matter what is used as fuel. Also, there is no definite information at this early date as to the costs of the projected operations although obviously experiments on the present scale would hardly have been undertaken unless there was good reason to expect that the costs would not be prohibitive. All in all, while there is no immediate threat to the status of the coal roads, gasification experiments have progressed to a point where they must be followed very closely and where they must be given considerable weight in arriving at any sound long term investment program.

Mediation Board Fails to Settle Dispute Between U. F. E. and A. M. Kidder & Co.

By EDMOUR GERMAINE

But says it is still trying. However, Arthur Meyer, Chairman of the Board, who intervened in the case last week, left early this week for a vacation in the South. Apparently, it is now up to Frederick Bullen, Executive Secretary of the Board, if anyone, to figure out some way to prevent the strike which threatens to tie up the New York Stock Exchange, the Curb, and several brokerage houses other than A. M. Kidder & Co., as well as A. M. Kidder & Co. itself on Monday, April 21.

No progress whatsoever has been made by the New York Mediation Board to date in its attempts to settle the dispute between the United Financial Employees,

AFL, and A. M. Kidder & Co., over a first contract covering wages and other terms of employment. It can't be said that the Mediation Board hasn't tried to produce better results and it says it is still trying. Perhaps it is just that the union and the firm both feel that an out-and-out showdown is the only real way out of the impasse in which, in their respective opinions, they now find themselves.

Arthur Meyer, Chairman of the Mediation Board, who intervened in the dispute last week, left early this week for a vacation in the South. Unless the Board has some surprise in mind, it would seem now that it will be up to Frederick Bullen, executive Secretary of the Board, if anyone, to figure out some way to prevent the strike which threatens to tie up the New York Stock Exchange, the Curb, and several brokerage houses other than A. M. Kidder & Co., as well as A. M. Kidder & Co. itself on Monday, April 21.

The Board has revealed that at one time in the negotiations, the U. F. E. was willing to settle on the same terms that the Financial Employees Guild, CIO, obtained a contract with Herzfeld & Stern, that is, a \$5 a week raise in pay plus a bonus of 7½% of gross profit or, in other words, profit before partners' out-take.

The dispute now is primarily over wages, according to the Board. The union originally wanted a 25% across-the-board increase in salaries. Now it would be willing to settle for either (1) a straight 20% across-the-board increase or (2) a 15% across-the-board increase plus a bonus. The firm has dismissed 30 employees since negotiations for a contract have begun and all but one of these were union members, the Board states. The union now also wants to include in any contract with the firm a provision requir-

ing the company to restore the balance between union and non-union members in its employ which existed before the dismissals in hiring people to work for it in the future.

The firm has granted merit raises and made certain adjustments in pay to bring its pay scales to the levels prevailing for similar jobs elsewhere in the street, the Board says. These raises, granted to 40 employees out of 115, if spread among the 115, would have been the equivalent of a \$1.20 a week raise across-the-board, the Board states.

The company is opposing the union at all points and it is difficult to see where any common ground of agreement can possibly exist between it and the union.

Though the union insists it intends to obtain contracts with Harris, Upham & Co., Bache & Co., and White, Weld & Co., along with A. M. Kidder & Co. at this time, it admits it has not yet approached the management of these firms to talk matters over. It says that others, "more important than the union," will have to seek a settlement of the union's controversy with these houses.

The union lost an election among the employees of Harris, Upham & Co. but it has asked the State Labor Board to set the results of this election aside. The union thinks it has inherited the old AFL dispute at Bache & Co. It would have asked for an election at White, Weld & Co. but decided not to do so after White, Weld & Co., the day before the union was scheduled to petition for an election, dismissed nine employees, all members of the union. There can be no doubt, however, that the union is moving heaven and earth trying to enroll as many employees of these various firms as members in order to have their unqualified support in the threatened strike.

An Indictment of Soviet Policies

By LOUIS BUDENZ*

Professor of Economics, Fordham University
Former Managing Editor, "The Daily Worker," New York

Former Communist and Editor maintains Soviet Russia's aim is world domination, and to that end, seeks a war of nerves against United States. Cites statements of Soviet leaders and periodicals in support of this, and accuses Russia of backing "machine gun election in Poland" and destroying four freedoms in satellite countries. Asserts Communists in U. S. are subservient to Stalin and carry out a campaign of deceit under instructions from Moscow. Warns a U. S. policy of appeasement will destroy our economy and endanger our freedom and security.

Today I hope to bring to you a factual indictment of Soviet Russia's policies, and an indictment of the Communist party, based again on facts

—my own experience—but supported, likewise, by certain documents. It will have to be fragmentary, necessarily, because in forty minutes I cannot heap up here before you all the evidence which I have at hand. In fact, it does seem very fragmentary, indeed, compared to the entire story that could be told. But if there is anything must come out of what I say, it is this: In relation to this symbol of two camps—that it is impossible today to stand in two camps. And St. Augustine said for many years, he remained in



Louis F. Budenz

both camps, as a result of this indecision, just as I remained in two camps, endeavoring to reconcile the two of them.

At this moment it is impossible to remain in two camps, the Camp of Totalitarianism and the Camp of Freedom. And any policy of appeasement which endeavors to reconcile these two camps is destined to defeat and failure.

Why do I state that? Because, out of my experience I have learned, briefly, this succinct succession of facts. That Soviet Russia is bound upon a policy of world domination, as definitely and determinedly as ever Hitlerite Germany was.

Secondly, in pursuit of that policy of world domination, it is using a Fifth Column—the Communist party—which has no other reason for its existence than to carry forward the will and whim and wish of the Kremlin, in each particular period of history.

Thirdly, this Fifth Column exists by methods of illegality against the Government and the people of the United States, and likewise, by a policy of a pattern (Continued on page 50)

*Transcript of an address (entitled "In Two Camps") by Prof. Budenz at a luncheon forum at the Columbia University Club, New York City, Jan. 22, 1947.

Rep. Smith Questions Gold Buying Policy

Alleges inconsistency with Truman Doctrine entailed in continuing our purchase of Russia's metal. Secretary Snyder replies.

WASHINGTON.—The wisdom of the United States' continuing purchases of gold from Russia is being vigorously challenged by Representative Frederick C. Smith of Ohio (R.).

Mr. Smith, a member of the House Committee on Banking and Currency, both on the floor of the Congress and in correspondence with Treasury Secretary Snyder, has cited the possibility of this policy being inconsistent with the Truman Doctrine.

In a speech in the House on March 21, Representative Smith suggested inconsistency in Russia's shipments of gold to us, which were resumed last year. (See table in "Chronicle" of March 20, p. 1549).

The text of Mr. Smith's speech follows:

"Mr. Speaker, in view of the responsibility of Congress to have before it the fullest information bearing upon the President's recent message to Congress and on the implication of H. R. 2616, it is desirable to know whether this country is pursuing consistent policies.

"One of our policies, which is of direct help to the Union of Soviet Socialist Republics on economic lines, is the United States official policy of purchasing gold from every source at \$35 an ounce.

"Before the recent war this policy was suspended in the case of the Axis, because it was pursuing political and economic policies which the administration



Frederick C. Smith

considered injurious to this country. The question now is: Are we similarly pursuing in the matter of gold buying a policy in conflict with that which the President has just recommended to the Congress? To obtain the administration's views on this important matter I have written the Secretary of the Treasury for information."

The Treasury States Its Policy

The text of Secretary Snyder's reply to Mr. Smith's query as to the Treasury's position on the matter follows.

My dear Mr. Smith:

This is in reply to your letter of March 19, 1947, asking whether the Treasury favors the continuance of buying gold from Russia.

It is the policy of the Treasury Department to buy gold offered to it by governments and central banks of countries with which we maintain financial and commercial relations, when these countries want to acquire dollars either for expenditure within the United States or for the settlement of international balances with third countries. Such gold purchases are subject only to the Gold Declaration of Feb. 22, 1944, a copy of which is enclosed, which was issued by the United States simultaneously with similar declarations by the United Kingdom and Russia, and to which most of the United Nations members subsequently subscribed.

The Treasury believes that the purchase of gold in accordance with this established policy is necessary to the continued use and free acceptance of gold as an international medium of exchange.

Sincerely yours,
(Signed) JOHN W. SNYDER,

Province of Alberta

3½s, 1961-1980

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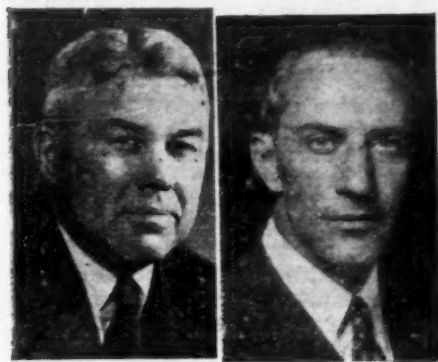
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Bond Club of New York Announces Plans for 1947 Annual Field Day

Plans for the 1947 Bond Club Field Day were announced by James Coggeshall, Jr., of The First Boston Corporation, President of the Bond Club of New York. The outing will be held at the Sleepy Hollow Country Club, Scarborough, New York, on Friday, June 6. This year's Field Day is the 23rd annual event of its kind, having been revived last year after a wartime lapse.

William G. Laemmel of Chemical Bank & Trust Co., has been named chairman of the Field Day Committee. He will be assisted by four vice-chairmen—Jo M. French of Blyth & Co., Inc.; Ernest J. Altgelt of Harris Trust & Savings Bank; C. Russell Lea of Reynolds



Jas. Coggeshall, Jr. William G. Laemmel

& Co., and Robert L. Hather, Jr. of the Chase National Bank.

An elaborate program of sports events and entertainment features has been arranged for the Field Day, according to Mr. Laemmel, who announced the appointment of the following committees to direct the various activities:

Bowl Street Journal—J. Emerson Thors, Kuhn, Loeb & Co., Chairman; John A. Straley, Hugh W. Long & Co., Inc., Editor; Norman P. Smith, Merrill Lynch, Pierce, Fenner & Beane, circulation manager; Walter F. Blaine, Goldman, Sachs & Co.; Joshua A. Davis, Reynolds & Co.; Richard de La Chapelle, Shields & Co.; L. Walter Dempsey, B. J. Van Ingen & Co.; Robert W. Fisher, Blyth & Co., Inc.; Raymond D. Stitzer, Equitable Securities Corp.; Walter M. Thomas, Hornblower & Weeks; C. Marshall Wood, Blair & Co., Inc.

Publicity—William H. Long, Jr., Doremus & Co., Chairman; Eugene P. Barry, Shields & Co.; Benjamin J. Buttenwieser, Kuhn, Loeb & Co.; Lloyd S. Gilmour, Eastman, Dillon & Co.

Attendance & Transportation—J. Howard Carlson, Halsey, Stuart & Co., Chairman; Harold W. Davis, Laird, Bissell & Meeds; Elmer F. Dieckman, Glore, Forgan & Co.; Edwin H. Hemingway, Harriman Ripley & Co.; Conrad H. Liebenfrost, Stern, Lauer & Co.; Lincoln J. Patton, Halsey, Stuart & Co.; James J. Sullivan, Blair & Co., Inc.; H. Edward Vollmers, Morgan Stanley & Co.

Dinner—P. Scott Russell, Glore, Forgan & Co., Chairman; Gordon B. Duval, Guaranty Trust Co.; E. Norman Peterson, Equitable Securities Corp.; R. W. Pressprich Jr., R. W. Pressprich & Co.; Arthur F. Searing, Drexel & Co.; Walter H. Steel, Lazard Freres & Co.; James D. Topping, Braun, Bosworth & Co.; Darnall Wallace, Coffin & Burr, Inc.

Trophies—James A. Lyles, First Boston Corp., Chairman; Albert F. Donohue, Kidder, Peabody & Co.; Dudley N. Schoales, Morgan Stanley & Co.; Richard A. Woods, Merrill Lynch, Pierce, Fenner & Beane.

Stock Exchange—Charles F. Hazelwood, Estabrook & Co., Chairman; Harry C. Clifford, Kidder, Peabody & Co.; Robert H. Craft, Guaranty Trust Co.; W. H. Reginald Jarvis, First Boston Corp.; Grant Keehn, First National Bank of New York; Robert Lewis, Estabrook & Co.; William R. Rovinsky, Hornblower & Weeks; John M. Young, Morgan Stanley & Co.

Golf—William H. Morton, W. H. Morton & Co., Inc., Chairman;

John J. Clapp, Jr., R. W. Pressprich & Co.; Herbert S. Hall, Morgan Stanley & Co.; Edward D. McGrew, Northern Trust Co.; William M. Rex, Clark, Dodge & Co.; Sanders Shanks, Jr., The Bond Buyer; Charles J. Waldmann, Kean, Taylor & Co.; Henry P. Warren, Jr., W. C. Langley & Co.

Tennis—Sumner B. Emerson, Morgan Stanley & Co.; Chairman; Amyas Ames, Kidder, Peabody & Co.; Clifton A. Hipkins, Braun, Bosworth & Co.; Marvin L. Levy, Goldman, Sachs & Co.

Indoor Sports—John W. Valentine, Harris, Hall & Co., Chairman; Clarence W. Bartow, Drexel & Co., Inc.; Elwood B. Boynton, H. F. Boynton & Co.; William B. Chappell, First Boston Corp.; Robert G. Dillon, Dean Witter & Co.; G. H. Walker, Jr., G. H. Walker & Co.; Gerald B. West, Stone & Webster Securities Corp.

Carnival & Side Show—Geo. K. Coggeshall, Schoellkopf, Hutton & Pomeroy, Chairman; Paul G. Devlin, Blyth & Co., Inc.; Allan C. Eustis, Jr., Spencer Trask & Co.; Ransom F. Hodges, First Boston Corp.; George Holzman, Chase National Bank; William P. King, Harris, Hall & Co.; W. Laud-Brown, Bankers Trust Co.; Edward H. Nelson, Kidder, Peabody & Co.; Julius C. Ransom, White, Weld & Co.; George H. Reeves, Chase National Bank; Arthur C. Turner, New York Hanseatic Corp.; Walter W. Wilson, Morgan Stanley & Co.

Pool—Emmett Lawshe, Shields & Co., Chairman; Charles L. Egermann, R. W. Pressprich & Co.; David W. Lovell, Laurence M. Marks & Co.; Eugene W. Scarborough, Central Republic Co.

Music—Donald D. Leeds, Bartow, Leeds & Co., Chairman; Craig S. Bartlett, Central Hanover National Bank & Trust Co.; Francis D. Bartow, Jr., Bartow, Leeds & Co.; Richard N. Rand, B. J. Van Ingen & Co.; Guy O. Reynolds, Bartow, Leeds & Co.

Soft Ball—Wendell R. Erickson, Stone & Webster Securities Corp., Chairman; F. Seymour Barr, Barr Bros. & Co., Inc.; Thomas T. Coxon, Hallgarten & Co.; Francis P. Gallagher, Kidder, Peabody & Co.; W. Murray Lee, Reynolds & Co.; Arthur W. McGrath, First National Bank of New York; Gardiner H. Rome, Stone & Webster Securities Corp.

Horseshoe Pitching—Alfred J. Ross, Dick & Merle-Smith, Chairman; Herbert E. Anderson, Jr., Green, Ellis & Anderson; E. Jansen Hunt, White, Weld & Co.; Charles A. Pope, Barr Bros. & Co.

Moyer & Co. Celebrates 105th Anniversary

PHILADELPHIA, PA.—Last month marked the 105th anniversary of Moyer & Co., which began business at 11 S. Third Street in 1842 under the name of John E. Fox & Co. The firm's early transactions were in gold, currency and bank notes. Edward E. Moyer was admitted to partnership shortly after the business started. The firm became Fox, Moyer & Co. in 1906. A year later, John T. Fox retired and the name was changed to Moyer & Co. Since 1928 the firm has been located at 1500 Walnut Street. Present partners are: Clarence L. Moyer, Henry C. Fox, Jr., Edward T. Moyer and Clarence L. Moyer, Jr.

Stuart Wyeth Added To Staff of Dixon & Co.

PHILADELPHIA, PA.—Stuart MacR. Wyeth has become associated with Dixon & Co., 1411 Chestnut Street, members of the New York Stock Exchange as a registered representative.

Barysh Back at Desk

Max Barysh, of Ernest & Co., 120 Broadway, New York City, has returned from a month's trip to Florida.

New Branch for Brady

Brady & Co. announce the opening of their branch office at 510 Broadway, Saratoga Springs, N. Y., under the management of Paul F. Hittinger.

H. L. Buchanan Partner

Charles E. Halden has been admitted to partnership in the New York Curb Exchange firm of H. L. Buchanan & Co., 120 Greenwich Street. Mr. Halden has been active as an individual Curb Floor broker for some time.

Geo. Miles Joins Gimbernat & Sellwood

Gimbernat & Sellwood, 111 Broadway, New York City, members of the New York Stock Exchange, announce that George H. Miles has become associated with the firm. Mr. Miles was formerly manager of the syndicate department of Ira Haupt & Co. Prior thereto he was manager of the bond department for Penington, Colket & Wiser.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

STATEMENT OF CONDITION, MARCH 31, 1947

RESOURCES

Cash and Due from Banks	\$1,104,329,867.65
U. S. Government Obligations	2,140,178,183.69
State and Municipal Securities	116,207,254.97
Other Securities	175,204,016.86
Loans, Discounts and Bankers' Acceptances	1,251,548,704.91
Accrued Interest Receivable	11,341,482.75
Mortgages	7,560,513.37
Customers' Acceptance Liability	9,659,573.65
Stock of Federal Reserve Bank	7,950,000.00
Banking Houses	32,182,818.50
Other Assets	4,418,706.76
	<u>\$4,860,581,123.11</u>

LIABILITIES

Capital Funds:	
Capital Stock	\$111,000,000.00
Surplus	154,000,000.00
Undivided Profits	49,048,847.23
	<u>\$ 314,048,847.23</u>
Dividend Payable May 1, 1947	2,960,000.00
Reserve for Contingencies	16,296,079.05
Reserve for Taxes, Interest, etc.	13,035,153.79
Deposits	4,488,156,083.76
Acceptances Outstanding \$ 14,629,451.44	
Less Amount in Portfolio 4,217,045.15	10,412,406.29
Liability as Endorser on Acceptances and Foreign Bills	2,860,802.44
Other Liabilities	12,811,750.55
	<u>\$4,860,581,123.11</u>

United States Government and other securities carried at \$401,086,340.00 are pledged to secure U. S. Government War Loan Deposits of \$149,221,289.01 and other public funds and trust deposits, and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

Mutual Funds

By HENRY HUNT

"A Burnt Child"

During World War I, as a result of the sale of Liberty Bonds to the public, hundreds of thousands of American citizens learned for the first time what a bond was. During the prosperous '20s, hundreds of thousands of people in all walks of life bought common stocks for the first time. The market crash in 1929 turned their profits into losses and the early '30s taught this new class of investors that even good stocks can sell at incredibly low prices when a real depression sets in.

The stock market recovery during the middle '30's undoubtedly attracted large sums of money from the same investors who almost lost their shirts in the 1929-32 debacle.

During 1937-38, as a result of unexpected economic deterioration, these common stockholders were "burnt" again, while in early 1942 when Russian armies were on the ropes, the attitude of these investors toward the stock market reached the nadir of despair. Again in 1946, after four years of rising stock prices, the market "fell out of bed," catching most investors fully invested as usual.

Ten months after the beginning of the 1946 decline, we find that business conditions, as measured by leading indices, are better than they were at the top of the 1946 market. However, we also find that, despite the lower level of stock prices, most investors are now strictly out of the market and many financial experts are predicting still lower prices for equities.

Could it be that the new generation of investors as well as the same generation of financial "experts" are merely proving the old adage, "A burnt child fears the fire"? Certainly no previous business recession has ever been so widely advertised as the one now predicted to be in the making. As Mr. S. B. Lurie recently wrote so aptly, "The trouble is that we've become a nation of economic hypochondriacs."

A New Balanced Fund

On Monday, the **Broad Street Sales Corporation**, a Seligman affiliate, brought out a new balanced fund known as the **Whitehall Fund**. Fifty percent of the portfolio is to consist of good to high grade bonds and preferreds and 50% in seasoned, growth common stocks. Total load is 7% with 5% going to dealers. Only 16 common stocks are to be included in the original portfolio as follows: Three oils, three building stocks, two chemical and drug, three utilities and five consumer goods stocks. It is interesting to note that no motors, steels or other heavy industry issues are represented.

While there is nothing particularly new in the concept of **Whitehall Fund**, at least its name, which closely resembles the Navy's classification of submarines, is different.

It is rumored that additional balanced funds will be making their appearance before long. The current vogue for this type of investment media stems from a swing in the investor's attitude away from "appreciation type" funds toward the relative safety of a balanced portfolio of high grade bonds and better quality common stocks. In effect, the balanced fund is a defensive medium whose shares sell best in a period of market uncertainty such as the present.

Record Demand for "The Doctor Reviews His Portfolio"

The above titled article written by **Walter J. J. Smith** of the **National Securities & Research Corporation** appeared in the Jan. 4 issue of "The Journal of the American Medical Association." It described the advantages offered

by mutual funds to doctors and other professional men who lack the time or ability to properly supervise their investments. According to Dr. Morris Fishbein, the editor of the publication, this article has aroused widespread reader interest, and the demand for reprints on the part of dealers in mutual fund shares has been of record breaking proportions. To date, 106,000 reprints have been sold as compared with the "Journal's" total circulation of 117,000.

Notes

Wellington Fund has a new booklet called, "Solving An Investment Problem."

Keystone Funds has issued a pamphlet entitled "Ten Securities That Satisfy a Wide Variety of Investment Requirements."

Calvin Bullock's "Perspective" concludes: "In summary, it appears that the present period is stronger in its financial aspects than at the end of World War I and that the credit collapse of that period should not be repeated. The other major economic indices, however, appear to be following basically similar patterns although differing in degree. The demand for goods, particularly capital goods, is now much greater than in the earlier period, but a lesser degree of price inflation has taken place—at least to date. Furthermore, the stock market is more cautious in its appraisal of present earnings and its realization of the prospects of a readjustment in prices and profits. Under such circumstances it would appear that the readjustment that may lie ahead will likely be of a lesser severity and intensity than occurred after the First World War."

Distributors Group has available a new folder title "Mutual Funds—What They Are and What You As An Investor Gain by Their Use."

A new folder on **Railroad Series** has been issued by **Hugh W. Long**. It contains the following interesting tabulation:

Cost of a Full-Speed New York to Chicago Run (4000 h. p. locomotives)

A 25-year-old steam loco...	\$1,000
A modern steam locomotive	357
A Diesel locomotive	320
An oil turbine locomotive	268
A coal burning gas turbine locomotive	113

(More than 70% of all locomotives in operation in 1946 were over 25 years old.)

Italy Joins Int'l Fund And the World Bank

WASHINGTON, March 27—The Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development were signed today by Signor Alberto Tarchiani, Ambassador of Italy, on behalf of the Government of Italy.

Italy's application for admission to membership was approved at the first annual meeting of the Board of Governors in Washington in October, 1946. Italy's quota in the International Monetary Fund is \$180,000,000, and its subscription to the capital stock of the International Bank for Reconstruction and Development is 1,800 shares of a par value of \$180,000,000.

The signing of the Articles of Agreement by Italy brings the total of countries having membership in the International Monetary Fund and the International Bank for Reconstruction and Development to 42.

Syria and Lebanon, whose application for membership was approved at the same time, have until April 15, 1947, to sign the Articles of Agreement.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The government securities markets are now under the influence of that uncertainty which is always present when important developments are to take place. . . . Expected changes in short-term rates, have caused prices to move down, with volume receding, as dealers and investors await the much talked about reversal of trend in interest rates. . . . Until there is clarification of what will take place and the financial community has had an opportunity to evaluate it, the market is likely to be pretty much of a defensive affair. . . .

Although there has been good investment buying from savings banks and insurance companies, very little is likely to be done by these institutions now, in face of the talk that bills may go to $\frac{3}{4}\%$ or $\frac{3}{4}\%$, certificates to $1\frac{1}{2}\%$ or $1\frac{1}{4}\%$ with five-year maturities between 1.75% and 1.85%, and the longest eligible $2\frac{1}{2}\%$ on a 2.25% basis. . . .

Although there will be no change in the long-term interest rate of $2\frac{1}{2}\%$, there could still be a sizable adjustment in market prices of the longer-term Treasuries, particularly the eligibles, without approaching the issue price of these securities. . . . This would not entail any increase in interest cost to the government. . . .

DEFROSTING SEEN IMMINENT

Whether there will be such an adjustment in prices or whether the market has already quite fully discounted impending interest rate changes will be known only in the future. . . . The opinion is practically unanimous now among money market experts, that there will be a defrosting of short-term interest rates in the near future. . . . It could happen in a few days or a few weeks. . . .

In some quarters the belief is held that the whole procedure has been agreed upon except for the time when it will be announced, which will be sometime in the next two weeks. . . .

The reason given for the change in interest rates is not the trend in purchases of long government securities or the shift from shorts to longs, but the inflationary trend of commodity prices and business loans. . . . In order to halt this inflationary trend and to get back some semblance of control over the creation of reserves, it seems as though the Central Banks, along with the other monetary authorities have decided to unpeg short-term rates. . . .

TOUGH SPOT

The position of not being able to stop or retard the creation of reserves, by member banks, is not a very enviable one to be in. . . . This is the spot the Central Banks are in now. . . . This predicament that the Federal Reserve Banks find themselves in is because there is no flexibility in the buying rates for bills and certificates that are offered them by the member banks. . . .

With a set buying rate at Federal for bills and certificates member banks are in a position to create reserves, and there is nothing much that the Central Banks can do about it. . . . With ample reserves, loans are being made or higher yielding Treasuries are bought, with the uptrend in commercial borrowings by far the more important at this time. . . . Too many marginal loans are being made. . . .

EXPERIMENT

The inflationary trend of loans means that too much bank credit is going into real estate and inventories. . . . This must be halted, and one way in which it can be done is by defrosting short-term rates. . . . Varying short-term rates are likely to mean less selling of issues to Federal to create reserves. . . . While short-term rates will be allowed to fluctuate, they will not be entirely without protection from the monetary authorities, which means that fluctuations will be kept within limits. . . .

What these limits will be cannot be indicated yet, although Chairman Eccles of the Federal Reserve Board recently stated that Treasury bills might go to $\frac{3}{4}\%$ and certificates to $1\frac{1}{4}\%$

It is believed that the monetary powers will first unhook Treasury bills and experiment with them for a while, until they find a natural level to settle at. . . . There will probably be some interference by the Central Banks to influence the trend if it is believed that it might be moving too far in either direction. . . . The reason that Treasury bills, will most likely be experimented with first is because they are a discount issue, without a set coupon rate, which should make them easier to handle and control. . . . Whether changes will be made in the certificate rate at the same time that the bill rate is cut loose is purely conjecture although some informed money market followers do not believe this will be done simultaneously. . . .

COLLATERAL EFFECT?

What will be the effects on the intermediate- and long-term Treasury obligations, of a defrosting of short-term rates? . . . The immediate effect will be to create uncertainty in the market which does not breed the confidence that is so necessary in making purchases of any security. . . .

Therefore, it seems to be quite evident that changes in short-term rates which will result in a somewhat higher general level of interest rates will at least take some buyers out of the market, which probably means that a ceiling has been put on prices of intermediate- and long-term government bonds, for some time to come. . . .

The psychological factor will be very important and will have far-reaching effects on all those connected with the money markets. . . . A large number of buyers will no doubt be sidelined by changes in short-term rates, with many of them likely to be out of the market for a considerable period of time. . . . The extent of the adjustment in short-term rates will be very important in determining the amount of fluctuation that will take place in prices of the intermediates and long Treasury obligations. . . .

Bank eligibles and restricted issues may eventually move in different directions, but this is not likely to come until the market has had an opportunity to evaluate the effects of higher short-term rates. . . .

In 1937, it was believed that increases in reserve requirements would firm short-term rates, with little or no effect on long-term rates, but this did not turn out to be the case. . . . The tightening of reserves brought about a temporary decline in prices of all Treasury issues, the longs as well as the shorts. . . .

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LOS ANGELES CHICAGO

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The Keystone Company of Boston

50 Congress Street, Boston 9, Mass.

Washington And You

(Continued from page 5)

Federal export insurance system. Despite assurances by Bank President Martin that no such guarantee is needed, a congressional team will try to elbow to enact a bill creating an insurance system similar to those of Canada and England. Export-Import Bank would be told to administer the law.

Praise the Lord, but better let Washington know, too, if you want Federal loan legislation written. That's a prayer uttered by Senate Banking Subcommittee Chairman Capehart after hearing a welter of conflicting testimony on small business needs. He heard: (1) an allegation by Commerce Undersecretary Foster that one-half to one-third of financially sound small business has been unable to obtain loans from RFC or elsewhere, (2) evidence that RFC has refused a very small percentage of loan requests, (3) argument by Treasury Secretary Snyder that life of the RFC should be extended.

Whereupon Chairman Capehart wanted to know plaintively: (1) is the RFC frightening small business away, or (2) does small business not need loans? He demanded from RFC a list of loan applications rejected since 1938, appealed to small business for enlightening data on loan needs—in other words, to put up or shut up.

RFC's future becomes more obscure. Heretofore there has been a general feeling the agency should be continued in standby shape after June 30. Such sentiment is now fading, is yielding to the question—Why? Unless convincing affidavits are forthcoming that small enterprise actually needs RFC ministrations, the sprawling lending bureau may be scrapped.

If you've got some venture capital—or want some—better help Treasury Secretary Snyder and House Ways and Means Committee Chairman Knutson from their joint dilemma. Snyder stoutly claims most risk money comes from people in lower brackets. Knutson says nuts, insists individuals with \$40,000-and-up incomes supply the venture money. Argues Knutson . . . "People in those low brackets cannot afford to take a chance." Retorts Snyder . . . "They are taking it though."

The Treasury blithely tinsels this deadlock with proof that nearly 50% of the dividends paid out by industry go to persons receiving incomes of less than \$5,000.

Commercial, industrial and agricultural loans continue to touch new peaks but are absorbed by Treasury and Commerce Department experts from blame for mounting inventories. Such loans reached a \$11,077,000,000 total March 19. The Federal experts interpret these figures as showing that business, industry and agriculture are borrowing to operate rather than spending cash on hand.

Washington expects a continuation in the decline of bank earnings as reflected by a 5% shrinkage in 1946 profits of Federal Reserve member banks. The Federal Reserve Board attributes this trend to (1) increased expenses, (2) increased income tax charges, (3) decline in recoveries and profits on securities sold.

Here's something to remember in connection with . . .

cussions: circulating media in the U. S. increased from \$5 billion in 1932 to \$30 billion currently; checkbook money in the same period burgeoned from \$22 billion to \$80 billion.

Construction of two bowling alleys in the White House is progressing despite tight Civilian Production Administration restrictions on non-residential construction. CPA boasts that in February it ordered 1,918 non-housing projects stopped—including a Long Island bowling alley.

Better have proof of results as well as intent if you deduct from your gross income amounts paid as dues to clubs or civic groups. The U. S. Tax Court has just denied tax exemption to dues paid by a corporation for its officers' memberships in the Kiwanis and Rotary. The corporation claimed the dues were expended for business reasons. The court replied, proof was lacking.

OPA lawyers with ambitions to continue prosecution of price-ceiling violators will be subdued by Congress. It's a safe wager the lawmakers will tell the OPA shysters to lay off prosecutions other than the obviously big racketeering deals.

A broad investigation of raw copper supply and distribution is to be undertaken by the House Interstate and Foreign Commerce Committee. Legislation directing the inquiry has been offered by Republican Representative Crawford of Michigan. House OK will be voted shortly. The Committee will be directed to report findings and recommendations within 90 days.

The copper investigators will (1) look at foreign and domestic supply potentials, (2) appraise the extent to which imports may expand with the suspension of the four-cent excise tax, (3) analyze equity of supply distribution as between integrated and non-integrated fabricating companies. This latter phase may inspire monopoly talk and legislation fashioned to prevent the independents from being starved by the big producer-fabricators.

The St. Lawrence waterway has been given the deep freeze and won't be thawed out until Federal taxes and expenditures have been substantially curtailed. Certain congressional elements who are presently striving to get an OK for the project will fail.

War Assets Administration continues to fret about the \$1 billion of machine tools remaining in surplus. The agency is compounding a long-range plan for disposing of these machines without injuring domestic manufacturers, hopes to arrive at a detailed conclusion within a month or less.

Blanket export control authority for the President may be allowed to die June 30 as now scheduled. It's possible Congress may substitute for this executive power export restrictions on specific items adjudged to be scarce.

Legislation extending the moratorium on Federal regulation of the insurance industry is expected to be pressed before adjournment. Under existing law the moratorium expires next January 1. Extension will be urged upon the grounds that many States have failed to pass proper laws contemplated by the original moratorium statu-

India Finance Official Opposes Scaling Down Of Sterling Balances

Alluding to what he called "the fulminations of the British press" concerning British counterclaims against Indian sterling balances, Sir Cyril Jones, Principal Secretary of the Finance Department of the Government of India, in the Council of State on March 17 declared:

"The Government of India has consistently maintained that India has already paid for India's defense, as determined by the financial settlement, to the limit of her financial capacity. It follows from that that there should and can be no scaling down of India's sterling balances."

After debate the Council of State passed the following resolutions:

"This Council is of the opinion that the sterling balances accrued to the credit of India are the result of great sufferings, sacrifices

and services on the part of the Indian masses who were committed to participate in the last war; welcomes and endorses the remarks of the finance member in his budget speech on the subject of these balances and accordingly recommends to the Governor-General-in-Council that he do ensure that in the negotiations with His Majesty's Government, which are due to be held in the near future, the stand taken by the fi-

nance member is maintained and that any attempt to scale down the balances on the pretext of return for defending this country is discountenanced."

Russell, Berg Branch

WASHINGTON, D. C.—Russell Berg & Co. have opened a branch office at 1603 K Street, N. W. under the management of Lloyd R. Freeman, Jr. Mr. Freeman was formerly with Baker, Watts & Co. and Merrill Lynch, Pierce, Fenne & Beane in Baltimore.

Frank Shea in Toronto

TORONTO, ONT., CANADA—Frank Shea is engaging in a securities business, acting as dealer in Canadian mining and industrial securities, from offices at 32 Front Street, West.

THE NATIONAL CITY BANK OF NEW YORK

Head Office: 55 Wall Street, New York



Condensed Statement of Condition as of March 31, 1947
Including Domestic and Foreign Branches

(IN DOLLARS ONLY—CENTS OMITTED)

ASSETS		LIABILITIES	
CASH AND DUE FROM BANKS AND BANKERS	\$1,255,170,219	DEPOSITS	\$4,544,599,922
U. S. GOVERNMENT OBLIGATIONS (DIRECT OR FULLY GUARANTEED)	2,127,347,620	(INCLUDES UNITED STATES WAR LOAN DEPOSIT \$79,954,394)	
OBLIGATIONS OF OTHER FEDERAL AGENCIES	28,904,830	LIABILITY ON ACCEPTANCES AND BILLS	\$26,794,848
STATE AND MUNICIPAL SECURITIES	199,859,550	LESS: OWN ACCEPTANCES IN PORTFOLIO	6,081,529
OTHER SECURITIES	101,058,083		20,713,319
LOANS, DISCOUNTS, AND BANKERS' ACCEPTANCES	1,093,559,848	ITEMS IN TRANSIT WITH BRANCHES	3,303,569
REAL ESTATE LOANS AND SECURITIES	3,137,041	RESERVES FOR:	
CUSTOMERS' LIABILITY FOR ACCEPTANCES	17,538,998	UNEARNED DISCOUNT AND OTHER	
STOCK IN FEDERAL RESERVE BANK	6,900,000	UNEARNED INCOME	4,438,100
OWNERSHIP OF INTERNATIONAL BANKING CORPORATION	7,000,000	INTEREST, TAXES, OTHER ACCRUED EXPENSES, ETC.	34,434,023
BANK PREMISES	29,094,212	DIVIDEND	2,325,000
OTHER ASSETS	4,167,290	CAPITAL	\$ 77,500,000
Total	\$4,873,737,691	SURPLUS	152,500,000
		UNDIVIDED PROFITS	33,923,758
		Total	\$4,873,737,691

Figures of Foreign Branches are included as of March 25, 1947, except those of the Dairen Branch which are prior to the outbreak of the War, but less reserves. \$360,512,637 of United States Government Obligations and \$2,568,793 of other assets are deposited to secure \$287,554,445 of Public and Trust Deposits and for other purposes required or permitted by law. (MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION)

Chairman of the Board
GORDON S. RENTSCHLER

Vice-Chairman of the Board
W. RANDOLPH BURGESS

President
WM. GAGE BRADY, JR.

CITY BANK FARMERS TRUST COMPANY

Head Office: 22 William Street, New York



Condensed Statement of Condition as of March 31, 1947

(IN DOLLARS ONLY—CENTS OMITTED)

ASSETS		LIABILITIES	
CASH AND DUE FROM BANKS	\$ 45,868,509	DEPOSITS	\$208,914,161
U. S. GOVERNMENT OBLIGATIONS (DIRECT OR FULLY GUARANTEED)	183,495,914	(INCLUDES UNITED STATES WAR LOAN DEPOSIT \$11,251,378)	
OBLIGATIONS OF OTHER FEDERAL AGENCIES	1,074,004	RESERVES	4,391,832
STATE AND MUNICIPAL SECURITIES	2,247,524	CAPITAL	\$10,000,000
LOANS AND ADVANCES	740,054	SURPLUS	10,000,000
REAL ESTATE LOANS AND SECURITIES	1,730,602	UNDIVIDED PROFITS	8,284,376
STOCK IN FEDERAL RESERVE BANK	600,000		28,284,376
BANK PREMISES	3,209,574	Total	\$241,590,369
OTHER REAL ESTATE	113,870		
OTHER ASSETS	2,510,318		
Total	\$241,590,369		

\$14,442,492 of United States Government Obligations are deposited to secure the United States War Loan Deposit and for other purposes required or permitted by law. (MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION)

Chairman of the Board
GORDON S. RENTSCHLER

President
LINDSAY BRADFORD

Canadian Securities

By WILLIAM J. MCKAY

Canadian official apathy concerning the Canadian dollar free market in New York has produced its inevitable results. This outlook has been based primarily on the fact that free market in relation to the official market is not sufficiently important to be given special consideration. The official attitude moreover stresses the point that the unofficial market is essentially the concern of the non-residents who are given the facility to operate in this market. That the free market has any bearing on the official exchange market, or on the Canadian economic standing as a whole, has always been deprecated in official circles. To some extent also there is a feeling of surprise and bewilderment, that in view of the Dominion's acknowledged superb management of its internal affairs, the state of the Canadian dollar unofficial external market should give rise to any external doubt and uncertainty.

Recent events however belie the wisdom of this attitude. It is not an exaggeration to state that in the absence of this misleading barometer of Canada's economic state, the current pressure on the Canadian dollar would not have taken place. Without the free market, rumors of devaluation and the bearish propaganda of interested parties would have dissipated their strength against the unyielding barrier of the strictly controlled official rate. In the existing circumstances the narrowness of the unofficial market has aided and abetted bearish influences.

In the early stages of the war the free market for sterling in New York suffered from the same disability. British prestige was lowered and unhealthy rumor thrived as a result of the inadequacy of the uncontrolled narrow free market. As soon as the situation became palpably embarrassing steps were immediately taken to bring the free market in line with the strictly controlled official market. From that moment

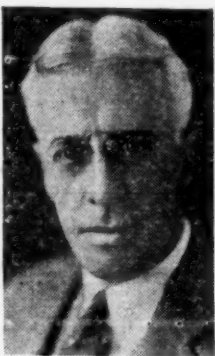
confidence in sterling was restored and British commerce ceased to be undermined by the vagaries of the free market.

In comparison with the British situation the Canadian economic state is immeasurably stronger. In the event of the restoration of multilateral convertibility of the leading currencies of the world, the Canadian dollar alone with the U. S. dollar will be the currency in the greatest demand. In a world of scarcity of available supplies of urgently needed food and primary commodities Canada is in a uniquely favorable position. It would appear therefore that the Dominion not only has the means but also the most successful of precedents, to take the necessary action that would immediately dispel the current atmosphere of doubt and uncertainty.

During the week the market was again influenced by currency rumors and the weakness of the rate for free funds. Dominion internals declined but the volume was on a restricted scale. At the present levels it would appear that the devaluation rumors have been fully discounted as the current prices now closely approximate those prevailing before the revaluation of the dollar last July. Although the discussion of a possible change in the official parity intensifies with every fluctuation of the free rate there is still no apparent reversal of the Canadian official attitude, which in effect takes the view that there is nothing in the present situation which justifies a further adjustment of the official parity. The external section of the market was quiet and inactive with Canadian Nationals in some demand at slightly higher prices. Internal stocks were dull with the exception of the golds and papers which moved irregularly higher.

MacIravy Fifty Years With Henry Clews & Co.

George W. MacIravy, partner in Henry Clews & Co., 9 Broadway, New York City, members of the New York Stock Exchange, on April 1 celebrated 50 years' association with the firm. The firm itself, organized April 1, 1877, is observing its 70th anniversary. Starting as a runner, in 1897 after graduation from Boys' High School



G. W. MacIravy

in Brooklyn, Mr. MacIravy worked in various departments and was admitted to partnership in the firm in 1919. He served as a governor of the Association of Stock Exchange Firms for eight years.

The firm, one of the oldest commission houses in the country, was founded by the late Henry Clews, author of "Fifty Years in Wall Street." Present partners, five in number, consist of Russell L. Gilbert, senior partner and member of the New York Stock Exchange; Charles J. Scheid; Augustin A. Noonan and Mr. MacIravy, general partners, and Leta Clews Cromwell, special partner.

Present Economic Problems and Prospects

(Continued from page 2)

highly unstable because three factors introduce a large measure of uncertainty into the total economic situation. They are: First, unsettled problems of industrial relations; second, recurring crises in international affairs; third, impending readjustments in a distorted domestic price structure. The presence of these large uncertainties explains why the equity securities of American industrial concerns are selling at a lower multiple of earnings per share than in any recent year save in deep depression or war. It explains why they yield almost 4.7% per annum at a time when the long-term interest rate on riskless securities is about one-half as much. It suggests that buoyant markets for equity securities may not be expected until these uncertainties are dispelled or greatly reduced.

Underlying the more immediate forces of business instability are factors making for strong growth and prosperity over the longer term. First, there are indeterminate but unquestionably large deferred domestic and foreign demands for durable goods of all kinds by consumers, businesses and governments. Secondly, the dollar amount of liquid assets held by American consumers and business enterprises in the form of cash, bank deposits, savings accounts and government securities are about three and one-half times as large as in 1939. Third, as a result of wage increases, heaving progressive personal income taxation and excess profits taxation during the war years, the distribution of these liquid assets and of current income among consumers is much better designed to support large markets than was the case before the war. Fourth, rapid advances were made during the war in applied science and industrial technology in respect to military production. The utilization of this technology in serving civilian markets will create unusually large needs for new plant and equipment and great investment opportunities. Fifth, as world political and economic conditions gradually stabilize, channels of international trade and investment will open up and large foreign markets will emerge for American mass-produced durable goods, for the equipment to make them and for the technical skills to manufacture them.

Before the American economy reaches the Elysian fields of a postwar replacement prosperity, it must first cross the river Styx of labor-management difficulties, foreign crisis and domestic price readjustment. Let us try to evaluate the probable bearing of these factors upon business during the year ahead.

Business Recession Not Likely

In my opinion, a business recession during the next year is not likely to be precipitated by bad industrial relations. By bad industrial relations I mean either a breakdown of collective bargaining in such key industries as coal, steel or railways, or else collective bargains that push up costs and prices to a point where buyers hold back from the market. The year 1946 probably will mark the worst crisis in American industrial relations for some years. The peak period of man-days of production lost through industrial disputes lies behind us. The principal reasons for this view are that cost of living will stop rising and may fall moderately during the next year. This will reduce pressure for wage increases. Labor unions, and their members, are less able to afford interruptions of income than they were in 1945 and 1946, because the 20% rise in cost of living during 1946 has left a smaller margin of savings to fall

back upon. Business concerns are less able to afford work stoppages because they will not be able to carry back unused excess profits tax credits. Workers have seen that the strikes of late 1945 and early 1936 did not, in the main, achieve their objectives, for the reason that they could have obtained the preponderance of their demands from management without striking. The social irresponsibility of Mr. Lewis in threatening to undermine the national prosperity and the international position of the United States by withholding the coal supply has aroused Congress and the people. For all these reasons there will be a very strong disposition on both sides of the collective bargaining table to reach agreements.

Nevertheless, industrial relations will continue through 1947 to be a factor of large uncertainty. Congress will wrestle with two great problems: How to make the collective bargaining process operate effectively; and how to insure that collective bargains concerning wages, hours, and working conditions promote, and do not impede, high production and employment and stable prices. We cannot expect solutions to those problems in 1947, but we may expect an interim period of industrial peace.

Unsettled International Relations

The second factor making for great short-term economic instability is the unsettled state of international relations. There is a kind of peace in the world today, but there are not expectations of peace. The four-power division of defeated Germany and the disastrous policy of Potsdam have delayed the economic recovery of all western Europe by two to four years and increased the relief it must have to survive. War with Russia is highly improbable during the next few years, because the American people are reluctant to fight another war and the Russian leaders know that years are needed to heal the gaping economic wounds their country bears from the recent war. Yet fear of war with Russia will persist. There will be recurrent crises arising when the United States and Russia make contact with each other at the peripheries of their respective areas of influence—in the Eastern Mediterranean, in the Balkans, in Germany, in China, and perhaps in India. These crises will have unsettling effects on our financial markets. The precarious economic position of Britain is forcing her to withdraw military forces and economic aid from the whole eastern Mediterranean area and will compel her to contract her commitments in other parts of the world. Already, the United States has begun to fill the vacuum so created in Greece and Turkey. The logic of events will cause this country to occupy other positions abandoned by Britain, even though the wisdom of this policy has not been thoroughly considered.

The Federal Budget

The full implications of these facts for the Federal budget during the next few fiscal years cannot now be foreseen, but two conclusions are clear: First, American outlays for foreign relief and rehabilitation will be larger and of longer duration than at first appeared probable; second, the United States has become a great military power and is irrevocably committed to the maintenance of a large military establishment. Consequently, our desires for substantial postwar cuts in Federal spending, in taxation and in Federal indebtedness are unlikely to be gratified in the measure we have expected. It is improbable that the Federal expenditure of \$37.5 billion called for in President Truman's recommended budget for the fiscal year ending June

30, 1948, actually will be reduced by a substantial amount. For this reason—and for other reasons I shall mention later—it would be unwise for Congress to make reductions of from 20% to 30% in personal income taxes retroactive to Jan. 1, 1947. The net impact of the international situation will probably be to reverse the recent movement toward a deflationary Federal fiscal policy. Consequently, the state of international relations is not likely to be the precipitating cause of a business recession in the next year, but rather to be a counteractive to a recession that might develop from other causes.

Distorted Price Structure

The third important element of short-term instability in the present business boom is the impending readjustment of a distorted price structure. In the face of a strong demand, nearly all commodity prices have been moving upward since the abandonment of OPA controls and the tapering off of government subsidies. During 1946 the all-commodity index of wholesale prices of the Bureau of Labor Statistics rose 30%—the most rapid annual increase on record with the exception of the 50% rise in 1864 and the 40% rise in 1916. More significant than the over-all rise in prices is the difference in the rate of upward movement of different commodity groups. If we measure price increases up to the end of 1946, from the active entry of the United States into the war in December, 1941, it is found that prices of farm products at wholesale have moved up 87%, prices of foods rose 82%, of textiles 35% and of hides and leather 45%. In contrast, prices of fuels and lighting rose 25%, metals and metal products rose 28%, building materials 32%, chemicals 26% and housefurnishings 18%. Against an 87% rise in prices of farm products, commodities other than farm products advanced 33%.

The wartime pattern of price change—which has continued through the first quarter of 1947—is therefore one of enormous rise in farm prices, as a result of greatly increased foreign and domestic demands for foods and fibres in the face of a comparatively inelastic supply, of large but somewhat smaller derivative increases in the prices of the industries most closely related to farming—food, textiles and hides and leather—and of comparatively moderate increases in the balance of the economy. Obviously, the restoration of balance in the price structure requires a fall in the prices of farm and derivative products relative to the prices of other commodities. This adjustment might be made by a fall in farm prices, a rise in non-farm prices, or by both kinds of price movement. It is probable that both types of price adjustment will begin to occur within the next year, as European agriculture revives and relief demands for American food and clothing taper off.

This raises an important question. Will a fairly sharp rate of decline (more than 10% per annum) in the prices of so important a group of commodities as farm products and the derivative products of the food, textile and leather industries precipitate a general business recession? Such a result is conceivable. Falling prices on a wide front produce inventory losses, diminish profit expectations, lead to deferral or cancellation of property expenditures and through this mechanism can propagate a general decline in production and employment in a closely interrelated economy. Few instances can be found in American history of sustained production in association with a whole-

CANADIAN BONDS

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TAYLOR, DEALE & COMPANY

64 Wall Street, New York 5
WHitehall 3-1874

CANADIAN SECURITIES

Government Municipal
Provincial Corporate

sale price index falling more than 5% per annum.

The present regime of \$2.75 wheat and \$1.65 corn is reminiscent of the agricultural price boom that followed World War I, a boom that reached its peak in May of 1920, one year and seven months after the signing of the Armistice. In March of 1947 we also stand one year and seven months beyond the end of World War II. Devotees of "pattern" methods of forecasting point to the 40% contraction in wholesale prices and the 25% fall in rate of production that occurred within one year after May of 1920. They argue that an equally severe post-war business recession will shortly be upon us. Although there are many disconcerting similarities between the two economic situations, the analogy is not close for several reasons.

First, the rise in wholesale prices during and following World War I up to May of 1920 was about 142%, whereas, so far it has been about 85% since 1939. Second, there were extended business inventory holdings predicated on short-term bank loans built up during 1919 and early 1920, the forced liquidation of which accelerated the contraction in prices and production that occurred later in 1920 and early in 1921. At the present time aggregate business inventories are not excessive in relation to sales volumes and they are more soundly financed. In the third place, the business community is much more widely apprehensive of imbalance in the price structure than it was in 1920 and inventory commitments are being more carefully timed and watched. A fourth difference is that the distribution of income and of liquid assets among consumers is much more even and conducive to the support of a continued high level of consumer spending than it was in 1920. A larger fraction of consumers have some savings than ever before in history. Closely related to this is the existence of cushions to consumed expenditure, such as GI benefits and unemployment compensation, and of cushions to prices, such as the commitment of the Federal Government to support "parity" prices for agricultural products.

Finally, it cannot be denied that the latent demand for durable goods, including housing, by both consumers and businesses is now much larger and more insistent than it was in 1920. This time the United States fought a four-year war that at the peak of the war effort engaged nearly 50% of our productive resources, whereas we were active participants in World War I for less than two years and reached a maximum war effort at nearer 25% of aggregate national income. For all these reasons, it is a safe prediction that a business recession beginning within the next year would not be as severe as that of 1920-21.

Deferred Demands for Durables

Another approach to the problem of forecasting business prospects during the coming year involves a recognition that the business boom that developed during 1946 was mainly in non-durable goods, notably food. Of total consumer spendings of \$127 billion during 1946, 61%, or \$77.2 billion, were spent on non-durable goods, and 11%, or \$14.1 billion, were spent on durable goods, the balance being spent for services. The proportion of consumers' disposable income spent on durable goods in 1946 was well under that of the last prewar year, 1941. Large deferred demands for housing, automobiles, home furnishing and domestic appliances may be expected ultimately to push the proportion of consumers' disposable income spent on durables well above prewar normal levels.

The question is: Will increases in spendings on durable goods during the coming year be large enough to enable the whole econ-

omy to make a smooth transition from a non-durable to a durable goods boom? The productive capacity of the durable goods industries, including residential housing, will probably continue to limit output more directly than consumer demand. Assuming that important strikes and labor and material bottlenecks can be avoided in these industries—and this is vitally important—it is possible to make some rough estimates of the potential increase in consumer expenditures on non-durable goods in 1947 over 1946.

During 1946 about 2,750,000 cars and trucks were produced for civilian use in the United States. During 1947, 5,000,000 vehicles could be produced. Multiplying the increased number of units arbitrarily by an average retail sale value of \$1,500 per vehicle, gives an increase in expenditure of \$3.4 billion. During 1946, approximately \$3.3 billion was spent on new non-farm residences. Outlays on residential construction during 1947 could readily reach \$6 billion—an increase of \$2.7 billion. Expenditures on other consumer durables than housing and automobiles amounted to about \$7 billion in 1946. It would be possible for these to rise by 50% or to increase by \$3.5 billion. A total increase of \$9.6 billion in spending on consumer durable goods and housing during 1947 would certainly counteract most of any likely contraction in outlays on food and other non-durable goods by consumers, or in expenditure by government or business.

One is bound to recognize, however, that business expectations are notoriously sensitive, the American economy is highly unstable and our history is punctuated with booms and depressions. One cannot reasonably expect so favorable and well-timed an articulation of economic forces that the transition from a non-durable to a durable goods boom will be made without a dip in production and employment.

The most defensible conclusion that can be reached is that a general business recession is not inevitable within the next year, but the balance of probabilities is that a recession of moderate depth and duration will begin within this period. If it comes, I should expect such a recession to be confined within the limits of a 15% decline in industrial production as measured by the Federal Reserve Index and to an equal percentage fall in the all-commodity index of wholesale prices with the contractive price and production effects concentrated in agriculture, food, apparel and leather goods.

Fiscal and Monetary Policies

A final word should be said about governmental fiscal and monetary policies. As a result of wartime changes in the Federal tax system, fiscal policy has become a powerful tool for stabilizing production and employment at a high level. Nearly \$27 billion of total estimated Federal net receipts of \$40 billion during the current fiscal year consist of taxes on individual and corporate incomes, a large part of which is on a current collection basis. These taxes rise or fall sensitively with changes in national income, so that any decline in national income will be met promptly by a larger percentage decline in the taxes paid by some 35,000,000 individuals and 300,000 corporations, leaving more money in their hands to spend.

Conversely, any future rise in national income will be associated with an accelerated rise in the amount of income diverted from consumers' hands to the Federal Government. This "built-in" flexibility of the present Federal tax system is very desirable and it should be increased through conscious efforts by Congress to adjust Federal expenditures, tax rates, and personal income tax

exemptions from time to time for the purpose of counteracting the inherent instability of total spending in our free-market, private enterprise economy. This is not the place for a full discussion of fiscal policy and I merely wish to raise two specific questions regarding impending Federal fiscal policy:

First—In view of a continued high level of Federal expenditure and no substantial budgetary surplus on a cash basis, is it wise to reduce personal income taxes by 20 to 30%, retroactive to Jan. 1, 1947, while price inflation is still in progress and there is no clear evidence of inadequate consumer expenditure? Would it not better serve the interests of economic stability to defer use of the stimulant of tax reduction until it is more clearly needed?

Second—Faced with a substantial decline in the demand for agricultural products and in agricultural prices, should not the Federal Government, in the interests of domestic economic stability as well as in the broader interest of international relations, pursue a generous policy of loans and relief grants to foreign countries, timed as far as possible to cushion the impending agricultural price readjustment?

It is very important that Americans examine economic policy

issues such as this and seek to answer them, not in terms of narrow and immediate personal interests, but in a broad framework of national welfare. If this is done, we shall surely move forward to the twin economic goals of our free society—high and expanding production and employment and stable prices.

Michigan Gas & Elec. Common on Market

A banking syndicate headed by Otis & Co. and Ira Haupt & Co. on April 2 offered to the public 120,000 shares of Michigan Gas & Electric Co. Common stock (par value \$10) at \$17.75 per share. The stock was awarded March 31 on a bid of \$16.509 a share. Of the offering of common stock, proceeds from the sale of 40,000 shares will accrue to the company. Of the balance, 57,226 shares are being marketed for the Middle West Corp., and 22,774 shares for Halsey, Stuart & Co. Inc. The company's capital set-up consists of \$300,000 of 2% notes, \$3,500,000 1st mtge. bond series A 2 7/8% series due 1976, 14,000 shares of \$100 par value preferred stock, and the common stock offered to the public.

Lucas, Cleveland Mgr. For Union Securities

CLEVELAND, OHIO — Union Securities Corporation announced that William E. Lucas has been appointed Manager of its Cleveland office in the Union Commerce Building. Prior to joining Union Securities Corporation, Mr. Lucas had been associated with Moody's Investors Service since 1931.

White & Company Opens Branches

ST. LOUIS, MO. — White & Company, members of the St. Louis and Chicago Stock Exchanges, have opened branch offices in the Joplin National Bank Building, Joplin, Mo. under the direction of V. C. Looper, and in the Pine Board Building, Springfield, Mo. under the management of C. B. Nelson.

Women's Inv. Co. Formed

SAN DIEGO, CALIF. — Women's Investment Co. of America has been formed with offices at 625 Broadway. Officers are J. Waldo Malmberg, President, and Ruth B. Evans, Secretary. Mr. Malmberg has been proprietor of J. W. Malmberg & Co.

Guaranty Trust Company of New York

FIFTH AVE. OFFICE
Fifth Ave. at 44th St.

MAIN OFFICE
140 Broadway

MADISON AVE. OFFICE
Madison Ave. at 60th St.

ROCKEFELLER CENTER OFFICE
40 Rockefeller Plaza

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Condensed Statement of Condition, March 31, 1947

RESOURCES

Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers	\$ 556,267,827.44
U. S. Government Obligations	1,415,822,179.31
Loans and Bills Purchased	744,331,675.63
Public Securities	\$ 85,311,243.58
Stock of the Federal Reserve Bank	9,000,000.00
Other Securities and Obligations	11,177,464.91
Credits Granted on Acceptances	3,603,637.42
Accrued Interest and Accounts Receivable	9,880,589.58
Real Estate Bonds and Mortgages	1,397,034.11
Bank Premises	120,369,969.00
Other Real Estate	4,892,989.78
Total Resources	\$2,841,800,875.01

LIABILITIES

Capital	\$ 100,000,000.00
Surplus Fund	200,000,000.00
Undivided Profits	56,982,565.66
Total Capital Funds	\$ 356,982,565.63
Deposits	\$2,411,072,832.56
Treasurer's Checks Outstanding	39,197,658.76
Total Deposits	2,450,270,491.32
Acceptances	\$ 13,293,161.81
Less: Own Acceptances Held for Investment	9,689,524.39
	\$ 3,603,637.42
Liability as Endorser on Acceptances and Foreign Bills	310,400.00
Dividend Payable April 1, 1947	3,000,000.00
Items in Transit with Foreign Branches (and Net Difference in Balances between Various Offices Due to Different Statement Date of Foreign Branches)	305,809.53
Accounts Payable, Reserve for Expenses, Taxes, etc.	27,327,971.08
Total Liabilities	\$2,841,800,875.01

Securities carried at \$151,277,951.11 in the above Statement are pledged to qualify for fiduciary powers, to secure public moneys as required by law, and for other purposes. This Statement includes the resources and liabilities of the English, French, and Belgian branches as of March 26, 1947.

Member Federal Deposit Insurance Corporation

Today's Shaky Real Estate Market

(Continued from page 14)

ness, even at the peak of our current inflation. Eighty-five per cent had incomes of \$4,000 or less. On the basis of inquiries that I have made, I believe it is possible to say that the family with a \$3,000 income cannot ordinarily afford a house costing more than \$6,500. The family with a \$4,000 income cannot ordinarily afford to go above \$8,500 and it takes a \$5,000 income to swing a \$10,000 house.

Costs Too High

Let's just see how that works out. Let's assume a \$10,000 house is sold on the basis of \$2,000 cash and an \$8,000 mortgage. That means about 1% a month or \$80 is needed for payment of interest and principal and taxes. If only \$20 a month is allowed for the costs of heating and repairs, we have a total of \$1,200 a year as the minimum cost of living in what is today a relatively modest house. An income of at least \$5,000 is necessary to assume costs of that magnitude, yet even today only 8% of the 46 million family spending units in the United States has incomes of \$5,000 or more.

According to this same Federal

Reserve study there were some three million families in the United States who wanted to buy houses last year and who were willing to spend from \$13 to \$15 billion, but of this number one-third planned to spend less than \$4,000 for a home. On the average the heads of these three million family units expected to pay not more than \$5,000 for a house. Is it any wonder that a chill has come over the market for homes in the past few months, even in the face of the greatest housing crisis in our history?

Peak of Housing Demand Passed

The peak of the urgent demand for homes now seems to have been reached in the second quarter of last year. Prices of new houses are down from 15 to 20% from last year's highs and prices of old houses are said to be off even more.

The average American citizen, showing his usual good sense, has concluded that real estate prices and current costs of construction are too high. Thousands of potential home buyers have decided that, tough as it is, they will go on living doubled up with friends or relatives rather than pay an exorbitant price for a badly built

house. To my way of thinking this sensible attitude on the part of the public is one of the most encouraging developments in recent months.

Yet, of course, the halt in the real estate boom has its dark side. This increased resistance to high prices has resulted in a sharp drop in new home construction. As was the case after World War I, construction costs today are continuing to rise even after construction activity has started to fall off. The government forecasts—joined in by the Department of Commerce, the Bureau of Labor Statistics and the President—that a million new dwelling units would be started this year have already been abandoned. The actual number, it now appears, will be at least one-quarter to one-third less.

Residential Building Off

In the face of a great housing shortage the volume of residential building construction has fallen off sharply in this area with the decline in privately-financed housing especially severe. Current high costs of construction are threatening to price private industry out of the market. Beyond that, the fact that the price of privately-financed housing is being driven above the reach of the overwhelming majority of our people, is creating a mounting demand for an expansion of subsidized public housing.

There are demagogues of the right as well as of the left. It will do no good to denounce subsidized housing if private industry cannot produce adequate housing within the means of the majority of our people, even at today's high level of income and savings.

The extent to which current inflated real estate prices have driven the prospective purchaser out of the market is strikingly illustrated by the sharp decline in the demand for GI loans. In spite of the extraordinarily favorable terms that are offered to veterans, the applications for veterans' loans in January of this year were down 25% from the levels of last summer and the Veterans Administration says that there is "a growing reluctance on the part of many veterans to acquire real estate or other assets at prevailing high prices."

Well, the public, including the GI, is showing sense. I know that most of our great financial institutions can be counted on to show equal sense in this difficult period. Yet I am told that a few of these institutions cannot restrain themselves from bidding absurd premiums for the privilege of lending money at low rates on the basis of optimistic appraisals, at the peak of what is surely one of the great inflationary periods of history.

Bad Real Estate Financing

Real estate financing has made many mistakes in the past. It has much to answer for. Reckless mortgage lending in the last inflationary period, the 20's, brought a ruthless reckoning in the deflation of the 30's. It is only within the past few years that the frozen real estate upon which many of our bankers had been sitting for twelve long years has at length thawed out.

It should not be forgotten that most of the loans of the 1920's that went sour in the 1930's were made at two-thirds or less of appraised values. Today many mortgage loans are being made at 80% and, in the case of GI loans, even at 100% of appraisals.

If we could get into such difficulties with loans made at two-thirds of appraised value, think how much difficulty we could get into with 100% loans, unless appraisals are sound.

I realize, of course, that there are elements of strength in the mortgage lending field today which were not present during the

last real estate boom. Today we have widespread use of the regularly amortized mortgage. We have FHA insurance and FHA standards. We have government guarantees on the GI loans. But let me say at once, private finance will not escape censure if large numbers of GI loans go bad leaving the government holding the bag.

Factors in Appraisals

In the appraisal of real estate values today, it is not enough to consider such things as current costs of reproduction, current supply and demand, current sales prices. Real estate cannot be separated from the rest of our economy. It is indeed highly characteristic of our economy. The American economic system has been likened to a gambling casino where the wheel of fortune is up one day and down the next. Real estate shares fully in this boom-or-bust, rags-to-riches, speculative tendency. That is what makes the appraisal of real estate so difficult and so interesting. It seems to me that in this current state of affairs, you appraisers of real estate have a great responsibility and a great opportunity. Your judgment is often the deciding factor whether a loan will or will not be made.

Pressures for Excessive Loans

I know that today there are many pressures to stretch appraisals and to make excessive loans. The government guarantee of GI loans provides a serious temptation. But bankers and banking institutions are not free to conduct their business without regard to the public welfare. If a manufacturer of buttons or bottle caps conducts his business in an unsound or speculative fashion, he injures only himself. But if a banker makes unsound loans he is helping to undermine our whole

economy and thus he injures everyone.

It is no favor to the thrifty citizens of this nation to enter into excessive competition for mortgage loans in order to maintain a 2% dividend on savings bank deposits instead of 1½%. It is no favor to a GI to lend him more than he can afford to borrow in order that he may pay more than it is worth for a house he can't afford to own.

This is the time for appraisers to show the courage to resist boom hysteria. This is the time for appraisers to proclaim that they have a professional standing and an integrity that does not permit them to tailor the appraisal to the loan.

As I have looked back over the record of real estate appraising and mortgage lending, it seems to me that there has been one very obvious weakness. That is a tendency to be overly optimistic in good times and overly pessimistic in bad times. I feel that I can reproach you for this error because it is a very human error which you share in common with bank supervisors. That also has been the sin of bank supervision—that it was too easy in good times and too tough in hard times.

I should like to invite you to join with me today in a quiet resolve that we will turn that tendency around. Let us be tough in flush times so that we can be easier when times get hard again, for, make no mistake, hard times will come again.

I do not for one minute underestimate the difficulty of your job. I have no easy formulas to offer. I only ask you as you do your work to keep your standards high; to maintain at all times the honesty, integrity and dignity of your profession. In doing this you will be serving best yourselves, your clients and the public.

Observations

(Continued from page 5)

and wages as equal elements, without realizing that wage decisions per se are far more important. Increased wage grants are relatively inflexible, as well as contagious throughout the economy on a nationwide basis; while price adjustments, on the other hand, are both raised and lowered quickly and individually. For example, contrary to the trend of price boosts, Mr. Ford exceptionally reduced the price on his car; and on a single day a fortnight ago the International Harvester Company reduced its prices at the very moment the Long Island Railroad Company was filing an application for a fare rise.

It must also be remembered that wage rises directly affect union members exclusively and may themselves lead to price rises; while price reductions react to the benefit of everyone, including the wage-earner himself.

The Government's Responsibility For Inflated Prices

Another fallacy, shared by President Truman, consists in blaming the inflationary price rises on industry. Actually, it is not industry but Government itself that must accept such responsibility.

Stability and reduction in the cost of living have very importantly depended on the course of farm prices, whose level and direction are determined by government direction. At the end of January, food prices began to rise further from the levels which were already historically high. This increase was most pronounced in wheat and corn, despite their bumper crops of last year. The reason for this apparent paradox was that enormous government buying for export purposes last year created a price condition extremely vulnerable to speculative operations. In the important case of dairy products, whose prices assuredly are too high, the Department of Agriculture has now decided to postpone reduction in the price of milk until at least May first.

Looking at the overall picture, we find that about 70% of the rise in the consumers' price index during the past year took place in the category of food.

Half of the last year's increase in the cost of living has resulted from rises in livestock and dairy products. Total agricultural income was \$14,760,000,000 in 1946, 25% above the 1919 record inflationary amount, and this year is even surpassing 1946.

During the interval since August, 1939, farm prices, aided by government support, have risen 178% while industrial prices have risen only 59%.

This distortion in food prices has the widest economic repercussions. For the high price level of this necessity of the consumer not only correspondingly diminishes his ability to buy durable goods, but also brings about successful demands for additional wage increases, which in turn stave off the necessary lower prices for those durable goods.

Instead of baiting industry for inflating the price level, government should get a bit introspective about its own responsibility, as well as concerning its continuing propensity to lend its prestige to the popularization of the other fictions about the wage-price situation.

The Public National Bank AND TRUST COMPANY of NEW YORK

Main Office, 37 Broad Street

CONDENSED STATEMENT OF CONDITION

March 31, 1947

RESOURCES

Cash and Due from Banks	\$103,814,003.01
U. S. Government Securities	282,277,844.66
State and Municipal Securities	8,130,431.52
Other Securities	1,749,657.78
Loans and Discounts	138,487,277.23
Customers' Liability for Acceptances	726,738.00
Stock of the Federal Reserve Bank	660,000.00
Banking Houses	2,227,175.32
Accrued Interest Receivable	964,837.17
Other Assets	262,779.36
	\$539,300,744.15

LIABILITIES

Capital	\$ 9,625,000.00
Surplus	12,375,000.00
	22,000,000.00
Undivided Profits	6,910,328.68
Dividend Payable Apr. 1, 1947	275,000.00
Unearned Discount	615,660.17
Reserved for Interest, Taxes, Contingencies	4,529,680.35
Acceptances	\$2,550,037.67
Less: Own in Portfolio	1,737,999.37
	812,038.30
Other Liabilities	226,406.04
Deposits	503,931,630.61
	\$539,300,744.15

Securities carried at \$12,143,905.80 are pledged to secure U. S. Government War Loan Deposits of \$9,692,589.29 and other public and trust deposits, and for other purposes as required or permitted by law.

MEMBER: N. Y. CLEARING HOUSE ASSOCIATION
FEDERAL RESERVE SYSTEM
FEDERAL DEPOSIT INSURANCE CORPORATION

26 Offices Located Throughout Greater New York

Recommends Revision of Securities Act

(Continued from page 6)

whom a prospectus may be obtained and by whom orders will be executed) should be broadened to permit an indication of the nature of the business and assets of the issuer and a brief description of the securities offered.

(b) A short form of prospectus, similar in its scope to the present newspaper prospectus, should be authorized for circulation at any time after a registration statement is filed. After the waiting period has expired, it should be permissible to make sales on the basis of this short form prospectus. However, the full prospectus should be available to any potential investor who desires it and should be sent to all investors to whom a sale is made with or prior to the confirmation of sale.

Such a short form prospectus should generally be limited to a brief statement of the general nature of the issuer's business and assets and of its funded debt and capitalization; a brief summary of its earnings during the three preceding fiscal years; and a brief statement of the amount and proposed use of the net proceeds of the issue, the offering price and the name of the principal underwriter. The Commission should be given power to require additional information by regulation if necessary in the public interest or for the protection of investors.

(c) Condensation of the information required in the regular prospectus should be authorized.

(d) The regular prospectus required for a company which has previously registered under the Securities Act or under the Securities Exchange Act and which has regularly filed the required annual and interim reports with the Commission should be a short document setting forth simply the general nature of its business and assets, pertinent facts concerning its capitalization and the securities being offered, financial statements, the purpose of the issue, the net proceeds, the offering price, underwriting discounts and the names of the underwriters. Similarly, a relatively short prospectus should be all that is required for companies which are subject to regulation by, and file, as matters of public record, detailed reports with, either Federal or State commissions.

The prospectus required for offering by such companies might conceivably be the same as the short form of prospectus suggested under paragraph (b) above.

(e) Section 10(b) of the Securities Act requires a change to permit the use of a year-end statement in a revised prospectus. It should provide that the information should not be more than fifteen months old when a prospectus is used more than twelve months after the effective date of a registration statement.

2. Simplification of the registration process.

Much has recently been accomplished by the Commission along the lines of simplification of the task of registering securities for sale under the Securities Act of 1933. Awkward and expensive forms of registration statements have been abolished and simpler ones adopted. There has been a noticeable increase in the cooperativeness of the staff and in its understanding of the problems and difficulties of the company seeking to register its securities. However, it is still expensive and sometimes difficult to compile and set forth all of the detailed information still required, and the delays inherent in the process often result in the company "missing the market" and being unable to sell its securities.

(a) One step along the lines of simplification would be to authorize, in the case of a company which has previously registered under the Securities Act or the

Exchange Act and which has filed all annual and interim reports to the SEC required under these Acts, the registration of its securities simply by filing a short form of prospectus containing the information indicated in section 1(d) above.

(b) Another amendment which would be most helpful would be one requiring the Commission to review a registration statement before it is formally filed. When all deficiencies developed in such review have been corrected, the company should be permitted to file the statement officially and such filing should be followed by a brief, fixed waiting period on the expiration of which the statement would become effective.

This procedure would offer several advantages. In the first place, short form and complete prospectuses could be circulated in preliminary form during the waiting period after the formal filing with the knowledge that no further changes would be required. Secondly, the issue would not be prejudiced, as issues sometimes are now, by public knowledge of the delays, which are often unavoidable, in getting the registration statement into a form satisfactory to the SEC. Finally, the issuer and the underwriters and dealers handling the issue, knowing definitely when the registration is to become effective, would be able to make their plans accordingly and would not be subject to the risks and uncertainties of the present procedure.

(c) The Commission should be more clearly authorized not to require all of the information specified in Schedule A of the Securities Act. In other words, the Commission should be given discretion to require in any registration statement only such of the items called for by Schedule A as may be appropriate and necessary in the public interest and for the protection of investors.

3. Integration of the information and registration requirements under the two Acts.

This subject is closely related both to the simplification of the registration process and the suggestion that after a company has once filed a registration under either Act, it should be required only to file a simple prospectus to register additional securities for sale under the 1933 Act. Considerable progress has been made by the Commission administratively in permitting the material filed under the 1933 Act to be used to qualify for listing under the 1934 Act, but there is room for improvement and specific Congressional authorization would be desirable. The ways and means of achieving true integration of the information requirements under the two Acts require considerable thought and study.

4. An increase in the size of small issues exempt from registration, but with broader supervisory powers on the part of the SEC.

Registration of a small issue of securities is generally much more expensive in proportion to the size of the issue than a large one. These costs are so high that an issue of less than \$500,000 is usually uneconomical. It should be borne in mind that these costs indirectly are borne by investors. There is a distinct public interest in the development and financing of small enterprises and, therefore, in the minimizing of the costs of such financing. Hence, an increase in the size of small issues exempted from registration up to \$500,000 appears desirable.

On the other hand, the likelihood of fraud and of unwarranted misstatements is probably greater in connection with the sale of the securities of small, little-known companies. Hence, if the amount of the exemption is increased, it

would seem fitting that the Commission be given some supervisory power over such issues.

It is suggested, therefore, that the exemption be increased to \$500,000 and that a reasonable waiting period be required after filing of the offering circulars and other data and that the Commission be given stop order powers exercisable both before and after the expiration of the waiting period in case of any material misrepresentation.

5. Clarification of the anti-manipulation provisions of the Securities Exchange Act.

Orderly securities markets are clearly in the public interest and at times the market for any particular security may require the active intervention of an interested buyer or seller if it is to be kept orderly. Under the present anti-manipulation provisions of the Exchange Act it is doubtful, at least, that anyone may thus intervene without violating those provisions.

On the other hand, fraudulent manipulation, that is, manipulation which misleads and deceives investors, should be outlawed.

Accordingly, it is suggested that:

(a) the preambles to the Exchange Act should be amended to indicate that one of the purposes of the Act is "to encourage and foster orderly, active, stable and liquid markets for securities upon securities exchanges and in the over-the-counter markets";

(b) the anti-manipulation provisions should be amended to indicate that they are aimed at transactions intended to create a false and misleading appearance with respect to the market for the security dealt in; and

(c) the anti-manipulation and

stabilization provisions should expressly state that they are not intended to prohibit "transactions effected for the purpose of establishing or maintaining a fair and orderly market or for the purpose of stabilizing the market in connection with or to facilitate a primary or secondary distribution of securities provided that such transactions are (1) reasonably necessary for such purpose, (2) not excessive in volume, (3) effected within a reasonable price range, and (4) reported daily to the Commission; and that, when effected in connection with or to facilitate a primary or secondary distribution of securities, the general character, extent and effect of such transactions are disclosed by means of a prospectus or otherwise to purchasers of the securities being distributed."

Such changes would do away with the ambiguity, indefiniteness and uncertainty of the present provisions which have tended to weaken and hamper the functioning of our security markets.

6. Restriction of publicity on unproven charges.

In its earlier days the Commission in a number of instances issued orders charging individuals and companies with the grossest sort of wrongdoing before any of the charges were proven. In some cases the charges actually proved to be unwarranted or greatly exaggerated and in one notorious case, which is still undecided, the mere publication of the Commission's charges resulted in an overnight loss of millions and millions of dollars to the stockholders of the company.

To avoid any repetition of these abuses, the power of the Commission to give publicity to unproven allegations of wrongdoing should be carefully restricted and it should be required to hold private

hearings on charges of wrongdoing unless the accused requests a public hearing.

Some other matters which should be covered by any program to amend the securities laws include amendments which would (1) outlaw the present requirement of the Commission's proxy regulations that any proposal of any stockholder must be included in the management's proxy statement, (2) require, in any action brought under the provisions of these Acts for damages or rescission based on a misstatement or omission to state, a material fact, proof that the person bringing the action relied upon the misstatement or omission, (3) permit delisting a stock by vote of a majority of the holders of the stock, and (4) exempt employees' pension plans from the registration requirements of the Securities Act.

Any law enacted to amend these Acts should specifically provide that it should not be construed as validating, ratifying or approving any rule, regulation, form or order theretofore prescribed or issued by the Commission unless before its enactment a thorough review and study is made by Congress of the existing rules, regulations, forms and orders.

Committee Members

Members of the Special Committee on Security Regulation are as follows: Louis K. Comstock, Chairman; James M. Barker, William C. Breed, W. Gibson Carey, Jr., Herbert L. Carpenter, Lionel D. Edie, Charles R. Hook, Frey Kent, John Lowry, Jeremiah Maguire, Frank Wilbur Ma-Russell G. Smith, Laurence Al-nold Tanzer, Joseph M. Wells, Howard I. Young, Edward B. Twombly (Counsel for Committee).

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J. P. MORGAN & CO. INCORPORATED NEW YORK

Condensed Statement of Condition March 31, 1947

ASSETS

Cash on Hand and Due from Banks.....	\$141,744,798.93
United States Government Securities.....	365,027,608.39
State and Municipal Bonds and Notes.....	14,842,314.00
Stock of the Federal Reserve Bank.....	1,200,000.00
Other Bonds and Securities (including Shares of Morgan Grenfell & Co. Limited and Morgan & Co. Incorporated).....	13,500,383.86
Loans and Bills Purchased.....	119,431,156.56
Accrued Interest, Accounts Receivable, etc..	2,541,308.79
Banking House.....	3,000,000.00
Liability of Customers on Letters of Credit and Acceptances \$ 9,262,016.59	
Less Prepayments.....	509,308.80
	<u>\$670,040,278.32</u>

LIABILITIES

Deposits.....	\$572,684,679.17
Official Checks Outstanding 25,614,711.40	\$598,299,390.57
Accounts Payable, Reserve for Taxes, etc...	4,454,451.96
Acceptances Outstanding and Letters of Credit Issued.....	9,262,016.59
Capital.....	20,000,000.00
Surplus.....	20,000,000.00
Undivided Profits.....	18,024,419.20
	<u>\$670,040,278.32</u>

United States Government securities carried at \$28,234,250.87 in the above statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

Member Federal Reserve System
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Securities Salesman's Corner

By JOHN DUTTON

Harc's Ltd. has suggested in a memo released March 19, 1947, that the more successful salesman of today sells industry not common stocks. By so doing the thought is directed to the prospect's mind that the salesman is interested in rendering an investment service rather than selling a particular stock. At any rate the idea is workable and it is a subject that has appeal at this time. It doesn't take an investment expert to see that the securities of some industries are much more inviting mediums for investment than others.

The most effective sales presentations always come to the point. They don't ramble all over the lot. So if you wish to sell the idea to your customers that certain industries are more promising investment medium than others, do it in the fewest words possible.

One approach to an understanding of this complicated subject is to ask ourselves: what makes certain industries attractive in the light of today's economic conditions. The answer lies in recognizing the CAUSES FOR SHRINKING PROFITS and finding industries that eliminate such handicaps to a larger extent than others.

Here are the two profit killers in American industry today; high labor cost and the strikes and troubles that make up our unsettled labor situation; and uncontrollable costs of raw materials.

There are some industries that by their very nature USE a smaller amount of manpower than other lines of endeavor. These are the service industries such as insurance, personal loan companies, the oil industry, utilities—particularly natural gas and hydro electric power companies—soft drink manufacturers, chemical companies and concerns engaged in the operation of coin vending services. If you will look at the record, labor disturbances have been conspicuously absent in these industries.

When the prices of commodities are playing leap frog with each other from day to day, or where the price level is uncertain either in an upward or downward direction, companies THAT CAN CONTROL THEIR OWN SOURCES OF RAW MATERIALS enjoy an advantage over their competitors because they can stabilize basic costs and control profit margins. In this category you will find the chemicals, some of the fertilizer producers, producers of building materials owning their own forests, clay deposits, stone quarries, etc., paper companies owning timber reserves, mines, natural gas and oil companies, and the service companies. It was the slow-down in deliveries of many raw materials and semi-finished parts that produced so many disappointing income accounts in 1946.

Here then is the basis for a sales presentation concerning attractive industries—if you can control labor costs and material costs today you are in an enviable investment position.

There are other reasons why industries are attractive or unattractive but it is best to make a simple presentation of the highlights and let it stop there. Any salesman who talks like a college professor in economics may impress a few people but he will bore more of them than he will sell. For instance there are new product industries such as air-conditioning. Such opportunities for profitable investment can be clearly indicated by making reference to the large market which exists in the industrial and commercial fields alone and the excellent public reception to the use of air-conditioning where it has been used in the past. Or you can point out cyclical industries such as railroad equipments and mention the NEED FOR RAILROAD CARS, pointing out that hardly a day passes that the public press is not emphasizing the critical shortage that exists here. If you happen to have a handful of clippings from the newspapers and other business publications, you can offer a much more impressive case for your viewpoint if you place them on your prospect's desk. He can read them and you can quit talking—these articles will make a better sales talk than you will make.

No matter what you have to say, if you are trying to convey an idea to others, it is axiomatic that you need to know what YOU ARE TRYING TO SAY. Then say it concisely and clearly. Economics can be a complicated subject if you digress and start to roam around. The successful salesman puts ideas into plain, simple language that anyone can understand. If you tell your customers that certain industries have a minimum of labor trouble, or that they own their trees, iron ore, or natural gas, etc., that kind of plain talk is something any business man can appreciate today.

*Denman Tire & Rubber Co.—Common

*Oberman & Co.—Common

*Prospectus on request

HERRICK, WADDELL & Co., INC.

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Britain's Economic Dilemma— Its Origin and Nature

(Continued from first page)

come, but imposing the necessity of certain reservations.

Thus, to give the matter point, foremost in historical change is the decline in economic importance to Britain of her Empire, or Commonwealth as it is now more usually called. That Britain is no longer to hold the gorgeous East in ree and that, beyond this, her Colonies and Dominions will soon compete with her for international trade, ends a highly remunerative period of privilege and pride of place. The transition is one casting a shadow on British mentality, although few would defend the practice of Imperialism. But the mind of the Briton has changed in other ways during the past thirty years. He is still at heart an individualist, chary of planning and organization from above, but he feels that between 1918 and 1939 Individualism made a poor show. He is unconvinced that this was the fault of Individualism as such and believes, indeed, that the international conditions operating in those days would have been more damaging to Collectivism had it then been the ruling creed. Nevertheless, he feels that he has, for the time being, lost a firm foothold from which to attack Socialist innovations.

The Riches of Poverty

The most considerable effect upon Britain of two wars has been impoverishment, although that is not perceived by the majority of her people. The loss of overseas investments, the recession of London as an international financial center, the new and unfavorable directions of trade—to name no other—are happenings demanding compensating replacements which, however, have not been made. Concurrently, with lower national wealth and income, the State debt has risen to stupendous figures. This latter is explained away, even in apparently responsible quarters, by the fact of so much of the debt having been raised at a very low rate of interest, with redemption dates skillfully fixed far ahead. But every student of finance knows that mortgaging the future is a dangerous practice, that, indeed, under such circumstances, the future has the knack of suddenly becoming the present in some awkward and unanticipated problem. Supplementing the reality of poverty is the illusion of wealth. There has never been so much money in Britain before—and so little to buy. But the man of truly limited means who is able to carry out some black market or similar deal involving the passing of many notes feels himself elevated to a position of no small stature. Additionally, the government, until the last few months, has fostered the idea of relative abundance. It has, for example, published figures of pre-war and post-war consumption of food in Britain, with little disadvantage to the latter period. But, actually, these figures are of little guidance without a comparison of respective qualities; and this guidance is not forthcoming. Even now the authorities persist in publishing indices to show that the rise in cost of living since 1939 is only about one-third. This wholly deceptive result is secured by the taking of a few selected items and leaving out the rest—including the cost of traveling, which has more than doubled.

Nationalization Trend

Superimposed upon the whole psychological and economic fabric of the nation is now the slowly rising pyramid of nationalization. It presses heavily, and the more

so, since many business men believe that the bare will continue to be materially widened so as to embrace their own activities. The knowledge that hitherto pyramids have been used for the purpose of entombment would be more consoling if it could be quite sure that those who are to sleep their last sleep therein will be the politicians. It must, in fairness, be said that in one direction, namely that of the coal industry, nationalization has few opponents. The most conservatively minded find themselves in agreement with the London "Times" when it declares that "low wages, short time, unemployment, social isolation, and, in the past, the contrasting wealth of coal owners, have left their legacy." Nationalization may not prove the solution of coal mining difficulties, as witness that in 1946, with nationalization underway, the output of deep-mined coal per man was 259 tons as against 308 tons for 1937. But it has to be admitted that the former regime in the coal mining industry had brought about an impasse.

Individuals to Save the Government

The issue by the British Government of the recent "Economic Survey," constitutes a drastic admission of much that it had previously denied or ignored. There is no longer any make-believe that Britain's economic position is enviable, or even that it has any redeeming feature. It should be appreciated that much within the "Survey," excepting statistics, is based upon memoranda prepared for the former Coalition Government. That government's point of view is, therefore, at this late day endorsed in principle, so justifying Mr. Churchill's plea for a National Government at the end of the war, although, of course, the remedies which he then proposed are still not conceded. The Socialist Government is acutely aware that its idea of the achievement of prosperity by means of regulation and control has proved as insubstantial as fairyland, without the latter's iridescent attractions. All is now presented as prosaic, with the emphasis put upon the necessity of increased production. The hope officially entertained is that the Government's faults and failures will be swallowed up and forgotten in the midst of a huge volume of output of goods and services. Indeed, almost overnight, responsibility for success or defeat in the economic realm has been disavowed by Whitehall with a coolness very near to the impudent. The individual is being told that the fate of the nation depends entirely upon him working harder and not upon the alleged wisdom of his rulers. The Socialist Government has, in fact, without making due acknowledgment and while still enshrouded in dogmas, fallen back upon those tenets of individualism which hitherto it has been at so much pains to discredit.

Production and Incentive

But the individual is not going to produce more, unless he is provided with incentive and unless, also, he is assured of a right reward for his labors. It is true that wage rates have increased considerably and—it may be noted—with no corresponding rise in output. But the economic position of the upper middle class who normally provide much of the creative energy for industry as well as for the professions has steadily worsened. Moreover, the capitalist class is not willing to launch out into new enterprise in order to assist State encroachments and for the State to claim such enterprise as being its own fruitful work. Therefore, the pros-

pect for increased production under the existing government is not encouraging. It is the case, as has been said already, that the Socialist Government is shedding as much of its original program as it can do without the rank and file being aware of what is happening. The government is very careful in its latest pronouncements to insist that it does not wish to control or direct industry but only to "influence." This might be a distinction without a difference, the mere wearing of kid gloves in order to distract attention from a red tie. But it probably is the position, as far as Mr. Atlee, Sir Stafford Cripps and Mr. Ernest Bevin are concerned, that they would be happy in proceeding along radical lines which stop well short of "Socialism in our time." Even so, business men see no reason why they should facilitate the expediences of those who now wish to capitalize their own failures.

The significance of the change recorded above lies in the fact that the British people were told at the election that once the country was committed, through a parliamentary majority, to the active pursuit of the Socialist ideal, then the Age of Plenty would begin. But it has been officially discovered, in less than two years, that men's motives and conduct are governed not by the theoretical, but by the realities with which they meet in everyday life and which they have to turn to the best advantage.

Satanic Suspicions

Undoubtedly, were a National, Conservative or a Liberal Government to urge the people to produce more and work longer, it would get a whole-hearted response from capitalists and from the upper and lower middle classes. The attitude of trade unionists cannot be foreseen, but were response to come only from the classes previously named, the extent of national renaissance would be considerable. But the present situation is that these classes are disinclined to undertake special effort in the absence of different and trusted direction. Promises made by the Socialist Government as an outcome of its own extremity are regarded as coming in the classical category that when the devil was sick the devil a saint would be, but when that gentleman was out of danger devil a saint was he. The Socialist Government, then, will have to rely mainly on trade unionists to answer their call for higher production. Even supposing—and it is a large supposition—that trade unionists are willing to work harder and for more hours, can the effect be decisive without the cooperation of the brain-workers and the financiers?

Readjustment But No Immediate Emergence

The conclusion of the whole matter is that there is at present no way open leading out of the economic dilemma in which Britain finds herself. The immediate outlook is for continued readjustments as substitutes for those fundamental alterations that cannot come before political change. Those modifications include, if we may coin a needed word, a further "austerilizing" of expenditures; this time not least the gambling outlays of the working classes. There will have to be a halt called to the speculation in capital values, a speculation long since divorced from the yields returned. Rates of interest will have to rise if sufficient money is to be attracted to government securities and to the financing of fresh enterprise. Further than this the prophet who is jealous of his reputation will not go at the moment.

Business Prosperity in 1947

(Continued from page 3)
tories and farms and businesses of all kinds was so high in 1946 and because wages and salaries have advanced from prewar levels, total income payments of all kinds amounted to about \$165 billion last year compared with about \$78 billion in 1940 the last prewar year.

The high level of incomes and the backlog of savings in the form of war bonds, currency holdings and bank deposits resulted in a level of demand last year which made it impossible to supply all the customers who wanted to buy. This was especially true in the case of the so-called reconversion products such as automobiles, housing, refrigerators, washing machines and the like.

While price controls remained in effect the excess of demand over supply offered a strong temptation both to sell and to buy in the black markets. The inflexibility of price control, discriminating as it did against the production of some things, for instance, standard white shirts for men, and encouraging the production of other things for which profit margins were higher, for example, women's apparel, resulted in a great deal of distortion in the kinds of production undertaken and in the supply of goods to consumers. With the ending of price control we saw happen what has happened before both in this country and abroad—the so-called laws of demand and supply went to work with vengeance on a great many products, especially farm products and foods. Demand was brought into balance with supply, not primarily because supply increased, but because prices rose and pinched off a good part of the excessive demand. The distinction between black markets and legitimate markets was wiped out. Prices rose markedly. Wholesale prices rose 24% between June and December of last year, most of this rise occurring in farm products and foods. Consumer prices, or the cost of living, rose about 15% during the same period. In a period of such good markets and rising prices it is not surprising that also everybody who wanted a job could have one. Unemployment, despite the demobilization of a large part of the Army and Navy, amounted to the surprising total of only 2,000,000 persons in the latter part of the year. Contrast this figure of less than 2,000,000 with the total of more than 7,000,000 in 1940.

It is not surprising that under circumstances in which business is booming prices rising, and unemployment at a minimum, unions should demand and get higher wages. As a result of steady work and wage increases, average weekly take-home pay in manufacturing amounts now to almost \$47 per week, almost as much as the average in the peak month of January, 1945, when workers were putting in four and one-half hours more per week. This average weekly take-home of nearly \$47 compares with an average of about \$25 in 1940.

No Indication of Severe Business Recession

There is nothing so far in this picture of record-breaking production, employment, income and wages that would lead one to expect any severe business recession. What is the basis for the fear so often expressed that we are in for trouble this year?

There is one school of thought which maintains that every period of rapidly rising prices during and after a great war is followed by a period of rapidly falling prices. This same school points to the warning of more difficult times to come implied in the decline in the stock market last September. We may question, I think, whether a decline in prices

under present circumstances should be anything to give serious cause for alarm. Many prices are out of line with costs, with the prices of competing products, and with the incomes of the people who have to pay them. A decline in farm prices and foods, for instance, would provide an encouraging sign that we may get through the wage negotiations now being carried on in the mass production industries without serious strikes and without unreasonable wage increases. The recent reversal of the down trend in farm prices under the influence of buying for foreign relief will be unfortunate if it stops the decline in the cost of living which has just started. A reduction in the cost of living in the months ahead should be considered to be most desirable. The real danger is that the Number One pressure group in this country—the professional friends of the farmer—will try to block the forces of competition which are working toward lower prices by extending subsidy payments. After the record prosperity enjoyed by farmers during the war, they should now be able and willing to stand on their own feet.

Prices of Manufactured Goods Out of Line

The prices of manufactured goods which are most out of line will, if reduced, merely permit consumers to save enough on some of their purchases to buy some of the new products which were off the market during the war. It will be difficult for consumers to continue to pay the prices which recently prevailed on women's clothing, for instance, and still to buy the new automobiles or refrigerators. We could not reasonably expect boom times to last forever in the soft goods lines, in luxury spending, and in gambling. Competition of a more normal assortment of goods for the consumer's dollar can only restore balance in consumer spending and reduce the ridiculously high demand for many non-essentials.

History alone will render the verdict, but there is a real possibility that if we look back upon 1947 and find it to have been a year of price readjustment we shall consider the price readjustment to have been a healthy development.

What other basis is there for expecting a readjustment in 1947? Many have argued that consumers are spending so much of their income for current living that an increase in production and productivity which is expected this year is bound to produce a shortage of buying power at present prices. This argument goes as follows: Consumers are spending now better than 90% of all the income that they have left after paying their taxes. Since people saved before the war something like 8 to 10% of their income, there is no margin left to buy more goods than people are buying now. Therefore, if production increases by say 10% in 1947, there will not be enough income to take the increased production off the market at current prices.

Here again it is difficult to become very depressed about the situation. Robert Nathan and the CIO have argued that the way to correct this condition is to raise wages once more. Mr. Nathan and the CIO are talking about raising the wages of the 14,000,000 to 15,000,000 union members who make up only about one-quarter of the total number of people who work for wages in this country. Raising union wages is no solution because it would deprive the great mass of American consumers of the benefits of increased productivity which is presumed to create the condition complained of and it would raise the costs of the businesses employing the

unionized workers to such an extent that their prices would have to be increased by an amount more or less corresponding to the wage increase. The better solution would appear to be to let the matter work itself out in a manner which will permit the public generally to enjoy the benefits of increased productivity. That is why letting competition take its course is desirable. If some producers cannot sell their total output at current prices then they will have to cut prices, as they have always done in the past. If this line of action is taken we can anticipate such price reductions as may be necessary to bring balance between incomes and production. Here again there is no reason to be particularly concerned about the price reductions that may occur because they are reductions necessary to bring the economy into better balance and to preserve the level of prosperity which we are enjoying. Let us then by all means resist government support of union pressure for higher wages.

Inventories

A third line of argument looking toward recession this year depends on rapid rise in inventories. Inventories, they say, have increased by about \$7 billion during 1946. Yet when we look at the ratio of inventories to sales we find that it is not even up to the prewar levels in most lines. It may be true that inventories in some lines are excessive and we have seen recently as evidence of this a number of clearance sales in the retail stores concentrated upon such items as furs, women's cloth-

ing and men's sportswear. There is no reason for anyone to get panicky about this natural process of reduction of excessive inventories. It has occurred before and presumably it will occur again.

I do not mean to say that there is no danger of over-accumulation of inventories or that it will be easy to shift from a period in which inventories are rising to one in which inventories are kept at a fairly stable level. It behooves businessmen and their bankers to watch the growth of inventory with care and, above all, to avoid accumulation of inventory simply for the purpose of making a speculative profit on an expected increase in prices which may not materialize. So far as the future is concerned, the slowing down of inventory accumulation, which results in an increase in income without a corresponding increase in sales of goods, can be offset by an increase in investment of a different kind. If, for example, housing prices are sufficiently attractive that contractors choose to build and consumers to buy considerably more houses in 1947 than they did in 1946, then the increase in construction will provide jobs and income sufficient to offset the loss of jobs and income which might result from the decline in inventory accumulation.

Past Furnishes No Absolute Guidance

It should be remembered in connection with any discussion of prospects for this year that the past affords us but limited guidance. Both the accumulation of needs and the money to buy the goods to satisfy those needs are

probably greater than they have ever been before.

Personal holdings of currency bank deposits and government bonds stand now at about \$150 billion compared with less than \$50 billion in 1939. So great a backlog of buying power has never before existed. It is equivalent to very nearly a year's income for all the people in the country. Business holdings of liquid assets amount now to \$70 billion compared with \$20 billion in 1939. This backlog of demand is merely one of the aspects of this period which makes it different from almost any other period of business uncertainty which we have experienced. Those who are fond of drawing a parallel between the period immediately following the First World War and, especially the crash of 1920, and the present would do well to keep differences of this kind in mind. They should remember also that there is not now as there was in 1919-20 any stringency of credit. Most important of all, there was not in 1920 the historical experience which is still fresh in our minds today. To argue that history will repeat itself is to argue that people do not learn from history.

Approaching a Balance

An appraisal of the business situation today, therefore, must include consideration that the peak of prices may have been reached, that some prices have already declined, that other may decline, and that still others may stop rising and level off. The condition in which anybody could sell anything for any price within reason and some things for prices

(Continued on page 26)

CHARTERED 1853

United States Trust Company of New York

STATEMENT OF CONDITION March 31, 1947

RESOURCES

Cash and Due from Banks	\$ 29,261,636.64
Loans and Discounts	24,842,065.72
United States Government Obligations	79,958,195.46
State and Municipal Obligations	8,490,000.00
Other Bonds	3,225,000.00
Federal Reserve Bank Stock	840,000.00
Real Estate Mortgages	3,961,207.62
Banking House	1,475,000.00
Accrued Interest Receivable	465,694.28
Total	<u>\$152,518,799.72</u>

LIABILITIES

Capital Stock	\$ 4,000,000.00
Surplus Fund	24,000,000.00
Undivided Profits	2,824,414.45
General Reserve	1,017,199.12
Deposits	119,447,913.34
Reserved for Taxes, Interest, Expenses, etc.	869,245.94
Unearned Discount	10,026.87
Dividend Payable April 1, 1947	350,000.00
Total	<u>\$152,518,799.72</u>

Securities carried at \$10,085,000.00 have been pledged to secure United States Government War Loan Deposit of \$7,656,224.25 and for other purposes as required or permitted by law.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



TRUSTEES

WILLIAMSON PELL
Chairman of the Board

BENJAMIN STRONG
President

JOHN J. PHELPS

JOHN SLOANE

JOHN P. WILSON

BARKLIE HENRY

GEORGE DE FOREST LORD

ROLAND L. REDMOND

HAMILTON HADLEY

FRANCIS T. P. PLIMPTON

G. FORREST BUTTERWORTH

JAMES H. BREWSTER, JR.

EDWIN S. S. SUNDERLAND

HERMAN FRASCH WHITON

JOHN M. HARLAN

WILLIAM A. W. STEWART

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

First quarter balance sheet statements will be appearing in the newspapers by the time this column is published. It may be of interest, therefore, to survey briefly the trend of deposits, loans, government securities, etc., as they have been presented each week by the New York Clearing House Association and the Federal Reserve Bank of New York.

The trend of deposits for New York Clearing House banks since the first of the year is as follows:

	Demand	Time (\$000,000)	Total
Jan. 2, 1947-----	21,786	1,404	23,190
Mar. 20, 1947-----	21,503	1,397	22,900
Change (\$)	283	7	290
Change (%)	1.3%	0.5%	1.2%

The decline, it will be noted, has been very slight; but compared with a year ago, there has been a substantial drop as the following figures show:

	Demand	Time (\$000,000)	Total
Mar. 21, 1946-----	25,982	1,251	27,233
Mar. 20, 1947-----	21,503	1,397	22,900
Change (\$)	4,479	+ 146	4,625
Change (%)	17.2%	+ 1.2%	15.9%

Further analysis of the figures discloses, however, that this drop has been confined to government deposits, which now aggregate \$642,000,000 against nearly \$6 billion a year ago.

	Demand Deposits (\$000,000)		Total
	U. S. Deposits	Others	
Mar. 21, 1946-----	5,966	20,017	25,982
Jan. 2, 1947-----	580	21,206	21,786
Mar. 20, 1947-----	642	20,861	21,503

Commercial demand deposits, on the other hand, are 4% higher, and time deposits are 1.2% higher. Before the end of March, government deposits will experience further shrinkage due to a Treasury call on the banks to repay 20% of Treasury balances held as of March 26 at close of business, which are needed for redemption of \$1.5 billion of certificates on April 1.

Total loans and investments of reporting Federal Reserve Member Banks in New York, have shrunk 2.5% since the first of the year, and now are about 19% lower than a year ago. This does not imply, however, that the earning

power of the banks is 19% less than it was. An analysis of the total figures is quite revealing in this respect, as per the figures in the table below.

It is very evident that the principal shrinkage has been in those items which return a lower rate of profits to the banks (loans to brokers, etc. and short-term government paper), while the higher yield government bonds have suffered approximately no shrinkage, and the more profitable commercial loans are \$1.186 billion higher, an expansion of 40%.

Today, government bonds plus commercial loans aggregate \$13,-

436,000,000 vs. \$12,298,000,000 a year ago. Today they constitute 73% of total loans and investments; a year ago, they constituted 54%.

Of course the fact still remains that the banks' total loans and investments are lower, but their composite character, in terms of potential earning rate, has improved.

As earning assets expanded through the war years, especially in the category of government securities which reflected the war financing program, net return on earning assets melted away from nearly 1% to little more than 1/2 of 1%, on account of abnormally low interest rates, and the large proportion of short-term financing. It is significant, however, that in 1946, the first full year since V-J Day, this downward trend appears to have been reversed, for the 15 banks showed a net return of 0.60% against 0.56% the previous year. And this higher rate of net return was achieved in the face of a 21.0% payroll increase over 1945 and a 7.6% increase in overall operating expenses. It will also be observed that average total earning assets were lower in 1946 by more than \$1.5 billion dollars, or approximately 7.0%, but that total net operating earnings were fractionally higher.

The changing composite character of earning assets, as already pointed out, combined with some scattered firming of interest rates, undoubtedly accounts for this improvement in the average earning rate. It is also interesting to note that overall operating expenses did not expand as greatly as did wages and salaries, which indicates that somewhere in the banking set-up some econ-

omies and improved efficiencies have been introduced.

If these trends persist through 1947, viz: increase of commercial loans, steadiness in volume of government bonds, improvements in efficiency and economy of operations, (in the face of salary increases), then it would appear that net operating earnings in 1947 need not decline greatly if at all, from those of 1946. And if, in addition, upward adjustment of short-term interest rates eventuates, as seems possible, and the banks should increase interest rates charged on commercial borrowings, as has been strongly urged by Morris A. Shapiro, then bank earnings could show moderate to substantial improvement.

First quarter statements will be studied with special interest this year.

Rook in Europe to End UNRRA

Major General Lowell Rook, retired United States Army officer who has been Director General of the United Nations Relief and Rehabilitation Administration since Jan. 1, left by plane for Europe on Mar. 24 to wind up the organization's affairs, according to the New York "Times" of March 25. General Rook said that UNRRA had distributed goods valued at \$2,500,000,000 overseas. The General, who will be abroad about six weeks, is to report in June at the final meeting of the UNRRA Council in Washington.

siderable readjustment in prices and production, with a return to competitive selling. It will be a bad year for us all if we lose our courage and turn to government for relief by deficit spending merely because we are afraid to make the adjustments necessary for sustained prosperity under a competitive private enterprise system.

A significant turn of the public sentiment in the United States away from the left and at least towards the middle, in contrast to the sentiment in every other part of the world, should be heartening to those of us who consider ourselves persons of good will. If the private enterprise system which we hold so dear is to survive the test, and the present situation constitutes a test, its friends must accept the responsibility which rests upon their shoulders. When most of the decisions were made in the bureaus in Washington or by governmental offices and agencies, the responsibilities of the businessmen were not as great as they are today. Private industry as represented and influenced by this group must and should now rise or fall, sink or swim, on the basis of the judgment of its own management.

I believe the time has come when we should give attention to those questions which bear on the survival of private enterprise as a system supporting what we understand as being the American way of life. These questions have to do with the relations between nations, with the individual liberties of the citizens and the fair relation of industry to its employees.

Above all else, the private enterprise system to be successful must support a free economy. This is only possible where reasonably full employment exists at wages which will support a standard of living reasonably satisfactory to labor, with an opportunity for a fair return to capital. Ours is the responsibility. Ours is the opportunity and if we miss this opportunity we will have missed our chance.

Winston Churchill, in his speech before the House of Commons on Aug. 16, 1945, giving his final review of the war and his first major speech as leader of the Opposition, described thus our opportunities and responsibilities. He said, The United States stand at this moment at the summit of the world. I rejoice that this should be so. Let them act upon to the level of their power and their responsibility, not for themselves but for others, for all men in all lands and then a brighter day may dawn upon human history. . . . Our pilgrimage has brought us to a sublime moment in the history of the world. From the least to the greatest, all must strive to be worthy of these supreme opportunities. There is not an hour to be wasted; there is not a day to be lost."

These last two decades will go down into history as the decades when minorities and pressure groups had tremendous power over our opportunity. The time has come when we must organize the majority to withstand such pressure groups. By organizing the majority I do not mean that it should be organized in one organization, but that the many several organizations such as your own in all parts of the country should organize to defend the rights and opportunities of the majority of the people. Otherwise, we shall not be able to make conquest of our future as a nation and hand down to our descendants the blessings we hold so dear.

Loans & Investments—Reporting Member Banks, New York

(In billions of dollars)

Date	Loans			Investments			Total Invest.	Total Loans & Investments
	Brokers Securities etc.	R. E. & Misc.	Comm. & Agric.	U.S.G. Short Term	U.S.G. Bonds	Others		
Mar. 27, 1946-----	3,184	641	2,971	5,542	9,327	1,100	13,462	22,765
Mar. 26, 1947-----	776	783	4,157	2,292	9,279	1,123	12,694	18,410
Change \$	-2,408	+142	+1,186	-3,250	-48	+23	-768	-4,355
Change %	-75.6	+22.1	+40.0	-58.6	-0.5	+2.0	-5.7	-19.2

Business Prosperity in 1947

(Continued from page 25)

beyond reason has passed. We are rapidly approaching a more balanced condition in which sellers will once more have to go out and compete to get the business. It will come as a shock to some businessmen, spoiled by almost 10 years of continuous upward advance in prices and volume, that there will be some difficulty in increasing volume further and that all their talents for improving quality and shaving prices may be necessary to maintain their competitive position. It will come as a shock to others to find that the competitive system is a system of profit and loss and that their turn has come after a good many years of profitable operation to fall into the loss category. They will be faced with the uncomfortable task of improving their efficiency, raising the quality of their products and exerting real selling effort. Workers will likewise be faced once more with the choice of earning all their pay or losing it. They may be comforted but slightly by reflecting that they are doing precisely what is required under a private enterprise system to justify the continued existence and strengthening of that system. Under the spur of

competition they will be giving to the public better values for the public's money.

Just in case some people are not convinced of the desirability of the adjustments which appear to be indicated by what I have said, let me leave this thought: Even if we should have in 1947 and 1948 as large a business recession as we had in 1920 and 1921 we will have a drop in income of not over 25%, which will leave us with an annual level of income of about \$130 billion compared with the \$93 billion which we had in 1941. After adjustment for price changes such a drop would still leave us with an income considerably above the level enjoyed in 1941, the highest peacetime year before the war. I want to repeat at this point, however, that so large a drop in income appears to be improbable because of the backlog of liquid assets and the potentiality of consumer credit expansion coupled with the real need of consumers, all of which are of a magnitude much greater than they were in 1920.

This year can be the first of many prosperous years if we face our problems courageously and lick them. The outlook is for con-

BANK and INSURANCE STOCKS

Lalrd, Bissell & Meeds

Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BARclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Dept.)

NEW JERSEY SECURITIES

J. S. Rippel & Co.

Established 1891
18 Clinton St., Newark 2, N. J.
Market 3-3430
N. Y. Phone—REctor 2-4383

WHOLESALE MARKETS IN BANK and INSURANCE STOCKS

GEYER & CO.

INCORPORATED

NEW YORK 5: 67 Wall Street
WHITEHALL 3-0782 NY 1-2875

BOSTON 9
10 Post Office Square
HUBBARD 0650
CHICAGO 4
231 S. LaSalle Street
FRANKLIN 7533
LOS ANGELES 14
412 West Sixth Street
MICHIGAN 2837
SAN FRANCISCO 4
Russ Building
SUITE 6567
SF-373

PRIVATE WIRE SYSTEM CONNECTING: NEW YORK, BOSTON, CHICAGO, CLEVELAND, PHILADELPHIA, LOS ANGELES, SAN FRANCISCO
TELEPHONES TO: Hartford, Enterprise 6011 Portland, Enterprise 7008 Providence, Enterprise 7008 Detroit, Enterprise 6066

NEW YORK LIFE INSURANCE COMPANY

A Brief Review of the 102nd Annual Statement to its Policyholders

Payments to Policyholders and Beneficiaries aggregated \$189,794,091 in 1946. Of this amount, living policyholders received \$110,293,027 and the beneficiaries of 19,782 policyholders who died received \$79,501,064.

Life Insurance in Force at the end of 1946, under 3,561,355 policies, totalled \$8,543,308,415, the largest amount in the Company's history. The gain in insurance in force last year, amounting to \$564,115,313, was greater than in any previous year.

Sales of New Life Insurance during 1946 totalled \$832,484,000. The increase over the previous year was \$268,303,900, or 47.5 per cent.

Assets, held for the protection of the Company's life insurance and annuity contracts and to meet other obligations, totalled \$4,026,689,280 at the end of 1946. The assets exceeded the Company's reserves and other liabilities by \$231,038,632, which amount constitutes the Company's Surplus Funds held for general contingencies.

Holdings of Bonds at the close of 1946 aggregated \$3,317,261,757, or 82 per cent of total assets. Of these bonds, United States Government obligations comprised 61 per cent of total assets; public utility bonds, 9 per cent; railroad bonds, 5 per cent; Canadian bonds, 2 per cent; municipal bonds, 1 per cent, and industrial and miscellaneous bonds, 4 per cent. Holdings of preferred and guaranteed stocks amounted to 2 per cent of total assets.

Increased Corporate Investments in 1946 reflected the growing demand for funds by private industry. During the second half of the year, the Company's holdings of investments in corporate securities increased \$118,521,671.

Holdings of First Mortgages on Real Estate were valued at \$335,772,452 at the end of the year. There were 26,980 mortgage

loans on residences for amounts of less than \$10,000, aggregating \$107,164,200. During 1946 the Company made 3,445 new mortgage loans aggregating \$46,785,930. Of these, 1,721 were mortgage loans to veterans amounting to \$12,009,039. At the beginning of 1947, the Company had mortgage loan engagements in excess of \$41,000,000 which it expects to consummate during the current year.

Rental Housing provided a new medium for the investment of the Company's funds. Two developments were started in 1946: Stanworth, at Princeton, New Jersey, with 150 apartments, and Fresh Meadows, at Queens, Long Island, New York, with about 3,000 apartments and also shopping and other facilities for a community of some 10,000 people.

Reserves against the Company's Contractual Obligations were further strengthened at the end of 1946. All of these reserves are now computed on an interest basis of 2½ per cent or lower. This action has been taken to protect the interests of the Company's policyholders in view of the continued low yields from the highest quality of investments.

The Provision for 1947 Dividends is \$41,730,229 as compared with \$38,895,341 for 1946. The New York Life is a mutual company paying dividends to policyholders only.

To Serve Policyholders and the Public, the Company maintains 126 Branch Offices in principal cities and a sales organization of over 5,600 agents throughout the United States and Canada.

George L. Harrison
President

STATEMENT OF CONDITION

December 31, 1946

ASSETS		LIABILITIES	
Cash on hand or in banks.....	\$ 38,342,771	Reserve for Insurance and Annuity Contracts:	
Bonds:		Computed at 2½% interest.....	\$2,212,312,214
United States Government Obligations.....	\$2,476,858,362	Computed at 2½% interest.....	386,544,029
Canadian.....	82,786,048	Computed at 2% interest.....	553,288,639
Municipal.....	33,438,208		
Railroad.....	205,425,039	Reserve for future payments under Supplementary Contracts.....	338,809,469
Public Utility.....	358,932,660	Reserve for Dividends left with the Company.....	196,523,634
Industrial and Miscellaneous.....	159,821,440	Provision for 1947 Dividends to policyholders.....	41,730,229
Stocks, preferred and guaranteed.....	97,414,289	Reserve for Premiums paid in advance.....	36,187,751
First Mortgages on Real Estate.....	335,772,452	Policy Claims in course of settlement and provision for claims not reported.....	14,187,664
Real Estate:		Reserve for other Insurance Liabilities.....	5,548,439
Properties for Company use.....	\$10,948,406	Provision for Taxes.....	7,065,627
Foreclosed Properties, including \$562,267 under Contract of Sale.....	6,866,082	Miscellaneous Liabilities.....	3,452,953
Rental Housing and Business Properties.....	5,030,253		
Policy Loans.....	156,634,001	TOTAL LIABILITIES.....	\$3,795,650,648
Interest and Rents due and accrued.....	22,133,885	Surplus Funds held for general contingencies.....	231,038,632
Deferred and uncollected Premiums (net).....	34,576,950		
Other Assets.....	1,708,434		
	<u>\$4,026,689,280</u>		<u>\$4,026,689,280</u>

Of the Securities listed in the above statement, Securities valued at \$55,956,374 are deposited with Governments and States as required by law.

The Company started business on April 12, 1845. It has always been mutual and is incorporated under the laws of the State of New York. The Statement of Condition shown above is in accordance with the Annual Statement filed with the New York State Insurance Department.

A more complete report will gladly be sent upon request. In addition to further details on the Company's operations during 1946, it discusses a number of recent developments believed to be of particular interest to policyholders. These include the Company's entrance into the housing field, the welcome return of hundreds of veterans to the New York Life organization, the serious rising trend of fatal automobile accidents, and a few examples from the many thousands of actual cases during the past year showing how life insurance serves human needs. A copy may be obtained by writing to the New York Life Insurance Company, 51 Madison Avenue, New York 10, New York.

Maintaining Prosperity—Roles of Management and Government

(Continued from page 2)

have to disavow any concern with any present government policy, any desire to change any such policy, and any wish to substitute any other policy. I take it that there is no such person in this audience.

Aside from extremists, the true concern of thoughtful citizens is to achieve and maintain that proper proportion of private enterprise and public action which will safeguard our traditional freedoms, assure our social contentment, and make for our economic prosperity. Let me fear that I am indulging only in generalities, I shall shortly propose to you a specific formula for this blend of private and public action, which I hope will meet with your approval and elicit your cooperation.

Outlook for Prosperity

On the outlook for prosperity, the consensus in the business world today, I think, shapes up something like this: There is a feeling that there may be some recession in business activity in 1947 or 1948. There is also the feeling that basic economic conditions are so favorable that this recession, if it comes, will be of minor scope and short duration, and that after it is over we shall have several years of high prosperity.

I share the opinion that, if there is such recession, we shall get over it without too much trouble and move on to several years of high prosperity. However, I do not regard such a recession as inevitable and, contrary, to those who think that the longer it is postponed the more serious it will be, I think that the longer it is postponed the more likely we are to avoid this intermediate recession entirely. We have been remarkably fortunate on the whole, despite some difficulties, in the speed of our shift from war production to peace production; and if we can get by another year or so without the kind of trouble we had in 1920 and 1921, it is well within the range of possibility that we may enjoy some further years of prosperity without first undergoing an intermediate recession.

This will depend primarily upon whether industrial prices and farm prices adjust themselves with sufficient speed and sensitivity to levels at which continuous high consumer demand can be maintained. For if these adjustments are made wisely and well, I think that businessmen who are watching the economy carefully will retain that confidence of outlook necessary for sustained high volumes of business investment.

Long-Range Problem

My main emphasis on this occasion, however, is not upon the fairly immediate economic outlook. My main emphasis relates to another opinion commonly held by businessmen. This is the opinion that after a few years of high prosperity, with or without an intermediate recession coming first, we shall be in for another big depression—as big or bigger than the one that started in 1929.

It is this fatalistic pessimism regarding the economic outlook five or seven or 10 years hence that I desire most vigorously to challenge.

I believe that if we face-up to this long-range problem now, and commence to prepare for the future before we are up to our necks in difficulties, we can avert another catastrophic depression through moderate measures—provided that these measures are taken on time.

To ignore this long-range problem because the danger is five or seven or 10 years away seems to

me fundamentally inconsistent with the whole character and spirit of American enterprise. It seems to me utterly incongruous that businessmen in their separate and individual undertakings should project their personal plans for 15 or 25 years ahead, while at the same time ignoring consideration of nation-wide economic events which could sweep away the savings of a life-time—just because these events are not going to occur in 1949 or 1950.

All that is needed to arouse the spirit of American business against this perilous apathy is a full realization of what another major depression would mean.

In our domestic economy, another major depression would bring untold human suffering, and losses of staggering billions of dollars. At the very least, it would incite more government intervention in the economy than any of us here would like to contemplate. At its worst, it could shake to the foundations both our form of enterprise and our form of government. Only those who secretly or openly would like to see these forms changed beyond recognition can view such a prospect with equanimity. The more conservative one is, in the best sense of that term, the more anxious one becomes to avert such a shaking-up.

When we think of the rest of the world, we become even more concerned about what a large depression in America would do. Whether or not we all agree on specific proposals, we must all be in agreement that America for its own safety and protection has a tremendous stake in the growth of free institutions rather than totalitarianism overseas. And whatever methods may be employed toward this end, nothing will be half so important as the example right here in America that our free enterprise system works successfully—without periodic breakdown or demoralization. That example would serve as a beacon light from pole to pole.

Must Avoid Depression

Those best informed of world events know that the avoidance of depression in America is absolutely central to the preservation and extension of free institutions in other parts of the world; and since I believe that freedom is as important as peace, and that peace cannot be maintained enduringly without freedom, it follows that maintaining American prosperity is a cornerstone of the edifice of world peace.

But these reasons for maintaining prosperity, urgent though they are, are after all on the negative side. There is an affirmative side as well. The individual businessman is not concerned solely with avoiding losses or bankruptcy. He is more generally concerned with expanding his sales, enlarging his prospects, and enhancing his earnings. The most important reason for maintaining prosperity is that to do so would assure levels of business prosperity and national progress far above historic analogy.

We have emerged from the recent war with increases in the size and capacity of our economy which exceed any flights of imagination 10 years ago.

We had a national income of \$164 billion a year in 1946, contrasted with \$70.8 billion in 1939 and \$83.3 billion in the peak prosperity year 1929. Even after allowing for the changes in the price level, we are now producing about 50% more per capita than we ever did before the war.

We have now almost 58 million people employed, exclusive of the armed forces, contrasted with 45

million in 1939 and 46 million in 1929.

We have made gains in technology and invention during the war, the effects of which are not yet fully revealed, and we may be on the threshold of the utilization of new types of power which will create a veritable Twentieth Century industrial revolution.

Within a decade or two or three, we may achieve the capacity to produce twice as much per capita as we were able to produce in the best years before the war.

But none of these gains remove—on the contrary they accentuate—the problem of maintaining maximum employment and prosperity. For the more we increase our capacity to produce, the more realistically we must face-up to the problem of distribution—the problem of balancing productive capacity on the one side with a market for the products on the other. We want to avoid a seller's market with inflation, or a buyer's market with deflation. We want to stimulate and sustain maximum employment and maximum production through an adequate supply of purchasing power, so distributed throughout the economy that demand and supply are kept in balance at the highest feasible levels.

Maintaining Maximum Employment

There is more agreement than is commonly supposed among economists and businessmen as to the core requirements for maintaining maximum production, maximum employment, and maximum purchasing power. Risking the danger of over-simplification, I would say that this core requirement is to maintain equilibrium in the flow of income between those who use it or want to use it for additional production in order to earn still more income, and those who use it or want to use it as consumers for the satisfaction of the wants and necessities of life. The quantitative factors in this equilibrium, and the means of obtaining it, are not matters of agreement. But there is more general agreement that the job has not been done well enough in the past, and that it can and should be done more satisfactorily in the future.

This equilibrium is sometimes called maintaining supply and demand in balance. It is sometimes called maintaining production and consumption in balance. It is sometimes referred to as the problem of distribution or the problem of purchasing power. All of these terms are different modes of identifying the same problem.

Solution Rests on System of Free Enterprise

The main responsibility for the better solution of this problem of economic equilibrium does not rest with the government. It rests with our system of private enterprise, embracing the actions of businessmen, workers, farmers and consumers. It rests mainly in the area of price and wage policy, because the relationship between these two items mainly determines whether businessmen earn enough profits to stimulate productive initiative and whether consumers have enough income to buy the products as rapidly as they are produced.

The future of our prosperity, the future of our free enterprise system, depend largely upon whether these price and wage policies are made with wisdom and foresight and temperance, and with a sound understanding of their profound effect upon general levels of economic activity—in the longer run and not only for the moment of quick but transitory gain. We all know now that wages and prices are not determined automatically by the rules which Adam Smith wrote more than 170 years ago. They are determined in large measure by the conscious and deliberate actions of business organizations,

and they are affected also by the actions of labor organizations.

So long as we retain our free system, there will never be complete agreement between management and labor regarding the wage-price-profit relationship, and some of these disagreements will continue to be settled by the relative strength of the parties. But the hope of the private enterprise system rests upon a diminishing use of force, and upon increasing knowledge and acceptance regarding those wage-price-profit relationships which will maintain production and consumption in balance at the highest feasible levels, and, therefore, contribute to the long-run benefit of both management and labor.

While both management and labor have a job to do in gaining this knowledge and in its application, management is in the strategic position to take the leadership in this field. Both prices and wages are determined in the first instance by management, although the actions of labor have an important influence upon both. Management, by and large, is acclimated to the study of economic conditions. It needs only to raise its sights to the broader considerations of sustained economic prosperity as against the more limited considerations of immediate profit and loss.

There is nothing novel about this idea. Management has always made market studies. All that is now proposed is that these market studies be broadened to include all of the factors which affect the market—those factors which affect it in the long run as well as those factors which affect it in the short run.

I should add that one of the most encouraging aspects of the present situation is the extent to which management concerns and management organizations are making these broader inquiries as a springboard for putting them into practice.

While the government should certainly keep out of the regulation of prices and wages, there may well be aids which the government can extend cooperatively to private enterprise in making these general studies of nationwide conditions, and the workings of the economy. These would provide management with some guides and standards in the determination of basic economic policy. These aids by the government might be likened to the sending out of weather reports although the government does not require anyone to take shelter from the storm.

The more successful our business system becomes in discerning those factors and making these decisions which add up to economic equilibrium, the less need there will be for fiscal or compensatory devices by the government for the purpose of straightening out real or supposed disturbances in the economy. I believe the development of improved economic policies within the free enterprise system is a more far-reaching method of attaining economic stability than the use of governmental devices.

Nonetheless, there are certain government programs which cannot be avoided. These include taxation, the management of the national debt, certain phases of money and banking, the established types of regulatory activities, and public spending for certain well-established purposes such as national defense and social security. In the aggregate, these activities are immense. And they are inescapable, although there may be differences of opinion as to their exact size from time to time. This being the case, it is all-important that the government carefully measure the effects of these activities upon the whole economy and so conduct them that maximum encouragement will be accorded to private

enterprise and so that each such activity will play its part in balancing rather than unbalancing the economy.

For these reasons, there must be some intelligent integration of private business policy and public policy. Both affect the flow and distribution of national income, and consequently both have an influence upon maintaining national prosperity.

This definition of areas of private and public concern and action raises the further question: "How are the series of private and governmental actions in these various fields to be blended into a symphony rather than allowed to deteriorate into a mass of crashing discords?"

There is nothing totalitarian about looking at the whole picture before deciding what to do. There is no excessive emphasis upon the role of government in insisting that the government should think before it acts. In reality, one of the most frequent criticisms of government emanating from conservative businessmen has been that the various things done by the government have not been consistent—with consequent lack of the stability to be derived from a discernible policy or pattern. In short, there has been a felt lack of instrumentalities for the rationalization of policy. This lack has become more conspicuous as events have drawn the government into an increasing proliferation of activities.

The Employment Act of 1946

The Employment Act of 1946 is designed to focus the attention of industry, agriculture, labor and government upon the goal of continuous maximum employment, and upon the methods of obtaining it.

The law divides into three parts. First, it requires that the President submit to the Congress at the commencement of each regular session an Economic Report. This Report, broadly speaking, must contain a survey of the state of the Nation's economic health, a discussion of trends, an appraisal of government programs bearing upon the economy, and specific recommendations for carrying out the policy of the Act. This policy is aimed toward creating and maintaining conditions affording employment opportunities for those able, willing and seeking to work; and also toward promoting maximum employment, production and purchasing power. Second, the law establishes a three-member Council of Economic Advisers to assist the President in the preparation of the Economic Report and, working permanently throughout the year, to engage in related activities. And, third, the law establishes a Joint Committee within the Congress, composed of 14 members drawn equally from the Senate and the House. The function of this Committee is to receive the Economic Report, study it, and file a report appraising its recommendations for the guidance of the various legislative committees. Putting aside embellishments, this is all there is to the law.

The Council of Economic Advisers, as I have said, operates under this Law. It constitutes a specific agency of the government, divorced from a special interest in any particular program or policy, in order that it may objectively service the President, the Congress and the country, in appraising and developing over-all economic policy.

The tasks of the Council require of it certain obvious practices:

First, it must draw upon the resources and thinking of the various government departments operating in the economic area. It must not duplicate their specialized work. Its task is one of interpretation and synthesis.

Second, the Council needs skill-

fully and temperately to cultivate relations with the economic world outside the governmental sphere. Its central task is to study the health and problems of our general economy—and only as a supplement to this to evaluate the impact of governmental programs. The Council cannot study the general economy just by reading books. It can do so only by a working relationship with industry, agriculture, labor and consumers. Not only are these groups entitled to know what the Council is doing and thinking; but what is infinitely more important, the Council should draw upon the thinking and attitudes of these groups in formulating its own recommendations.

Through these series of relationships there are, we hope, prospects for moving appreciably toward national economic policies which broaden the areas of agreement, and narrow the areas of difference, among various segments of our American society. In the long run, increasing unity about fundamentals is the hallmark of progress.

The first step toward unity lies not in the selection of methods but rather in the definition of goals. We got a lot of agreement about methods during the war because everybody was in accord about the goal—victory in the shortest possible time. The nearer we can come to the objective of agreed-upon goals, about the possibilities and prospects of the American economy, the nearer we shall come to a reconciliation of methods.

No one is so pretentious as to believe that there will be any quick or easy formula for avoiding depression. But the difficulty of the task should not turn us from it, when its solution is transcendently important. During the recent war, we did not only solve problems of production; we also solved more general problems of economics. We met problems of war financing, of distribution, of labor supply, and of scarcities of civilian goods, with a great deal more know-how than during the first world war. In consequence, at least up to the present time, we are in a much better economic condition in all respects than we were during the second year following the first world war.

The techniques for peacetime prosperity are entirely different from those for the conduct of a war. But, with equal realization of the critical need for a successful outcome, and equal determination to make the outcome successful, we can certainly learn to stabilize our economy at high levels of activity, reap the constantly increasing reward of improved production techniques, and, with great benefit to ourselves, make an increasing contribution to world economic stabilization and the world peace which can rest only upon economic and social contentment.

U. S. Gets Check From South Africa

The Union of South Africa on March 21 handed the United States a \$50,000,000 check as the first of two payments on the \$100,000,000 settlement of her lend-lease account in the biggest such cash transaction to date. Also included in the settlement were certain items of surplus lend-lease property transferred from Great Britain's lend-lease account. Acting Secretary of State Dean Acheson received the payment on behalf of the United States in his office from Minister H. T. Andrews immediately after they had exchanged notes consummating the agreement. The second \$50,000,000 will be paid in six months, according to Chester T. Lane, Lend-Lease Administrator, who negotiated the settlement. During the war approximately \$169,000,000 in lend-lease supplies were shipped directly to South Africa.

Meeting of Ass'n of National Advertisers

The program for the Spring Meeting of the Association of National Advertisers has been announced by William N. Connolly, Advertising Manager of S. C. Johnson & Son, Inc., and Chairman of the Association's Program Committee. The meeting, which will be held on April 7, 8 and 9 at the Hotel Drake in Chicago, Mr. Connolly said, has been patterned on what ANA members consider the most pressing and important advertising and sales promotion problems faced by national advertisers today. Members, it was recalled, were polled on their selections of topics for discussion at the Spring Meeting and the

program has been built around their responses. On Monday, Apr. 7, members will have an opportunity to learn some of the newest developments and uses of market research. Under the Chairmanship of Robert B. Brown, Vice-President of the Bristol-Myers Co. and Vice-Chairman of ANA, a panel of experts in the market research field will present their findings. Members of the panel include Lyman Hill, Servel, Inc.; Frank Mansfield, Sylvania Electric Products, and Richard Crisp of S. C. Johnson & Son. The program for the afternoon on April 7 will deal with media changes and selection, at which there will be talks by Ben Duffy, President, Batten, Barton, Durstine & Osborn and Del Everett, Research Director of the Ford Motor Co. There will also be sessions bearing on

measuring advertising results and merchandising advertising to salesmen and dealers; Jack Kurie of M & M and George Percy of the Bauer & Black Division of The Kendall Co. have respectively been named Chairman of these sessions. Among other things there will be a discussion at the meeting, of the U. S. agricultural market and a discussion of production and distribution of business-sponsored motion pictures. Several phases of advertising "as a tool of management" will comprise the program for April 9. Under the Chairmanship of Howard Chase, Director of Public Relations, General Foods Corp.—there will be talks by Jack Smock, Foote, Cone & Belding, Los Angeles, Calif.; Evans Clark, Chairman, Public Advisory Committee of the Advertis-

ing Council. R. J. Canniff, Servel, Inc. and Earle B. Savage, Jr. General Mills, Inc., will develop ways and means advertising can be used to sell goods.

As has been customary, the Spring Meeting is restricted to members of the Association and advertiser guests. An attendance of over 300 is expected at the Drake in Chicago. Thomas H. Young, Advertising Director of the U. S. Rubber Co. and Chairman of the ANA Board, in commenting on the meeting program said: "During the war we used to talk about the competition which was ahead of us. Today that competition is rapidly becoming a reality. Advertising, as never before, must sharpen its techniques."



CONTINENTAL TRAILWAYS BUS SYSTEM, with 5,000 miles of routes in Texas, Oklahoma, Colorado, New Mexico and Louisiana, has followed an equipment renovation program for the past three years that has placed Continental at the top of America's Class I inter-city bus companies in percentage of new equipment in operation.

The Company operates a fleet of approximately 250 buses, of which sixty per cent are new air-conditioned equipment. During 1946, the Company operated a total of 361,406,125 passenger miles, with an operating revenue in excess of \$7,000,000.

Co-ordination within its own system and with connecting carriers has provided through bus service unequalled in the nation. Continental Trailways, in conjunction with its connecting carrier in the West, operates the longest no-change bus service in the U. S.—that between Dallas and Los Angeles. In addition, through service is provided between Dallas and Brownsville, between Dallas and Denver, and between Shreveport, La., and San Antonio, Texas.

Continental is one of the largest members of the National Trailways Bus System and its operations are a vital link in Trailways' nation-wide service and national advertising. In the Southwest today, Continental Trailways offers the finest in highway transportation, adjusted to meet the requirements of the travel-minded public.

Another advertisement in the series by Equitable Securities Corporation featuring Southern industrial developments. Equitable has helped to finance many Southern industries, is ready to do its part in supplying others with capital funds.

NASHVILLE
DALLAS
KNOXVILLE
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NEW ORLEANS

EQUITABLE
Securities Corporation

BROWNLEE O. CURREY, PRESIDENT

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NEW YORK
MEMPHIS
HARTFORD
GREENSBORO
CHATTANOOGA

TWO WALL STREET, NEW YORK 5, N. Y.

Cleveland Security Traders Association



Cari Zies, *V. D. Anderson & Co.*; George Gund, President, *Cleveland Trust Co.*



R. Victor Mosley, *Stroud & Co.*, Philadelphia; Neil H. Jacoby, *University of Chicago*; Jay L. Quigley, *Quigley & Co., Inc.*; Paul Yarrow, *Clement, Curtis & Co.*, Chicago.



Snapped at Cleveland Traders Dinner



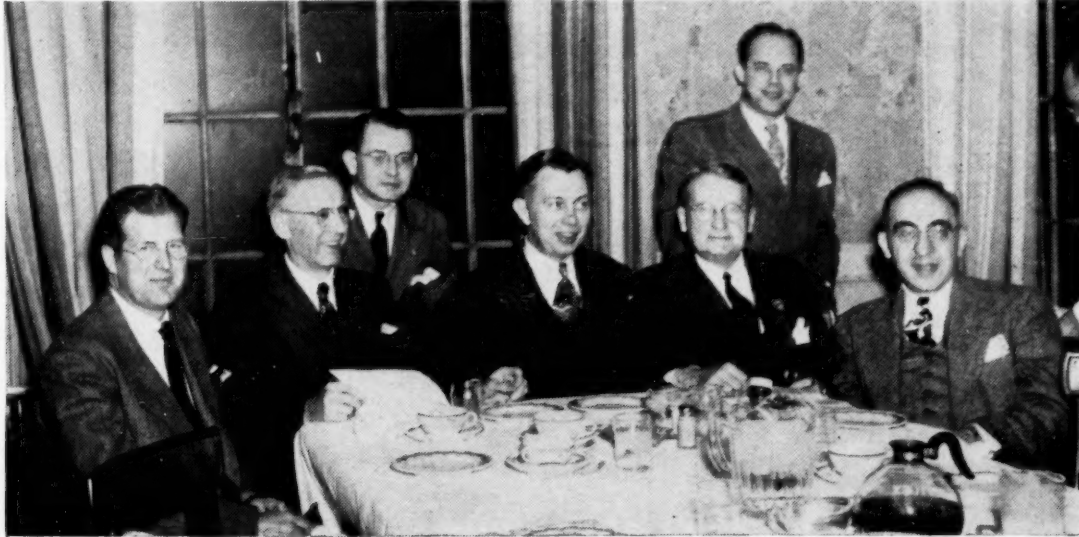
Walter B. Carleton, *Fahey, Clark & Co.*; David J. Barhyte, *Hawley, Shepard & Co.*; C. Fisher, *National Quotation Bureau*; Michael J. Heaney, *Joseph McManus & Co.*, New York.



Everett A. King, *Maynard H. Murch & Co.*; Dana F. Baxter, *Hayden, Miller & Co.*; J. A. McCann, *Merrill, Turben & Co.*; William C. Doody, *Merrill, Turben & Co.*; Edward E. Parsons, *Wm. J. Mericka & Co.*



S. M. Eilers, *Hornblower & Weeks*; R. M. Gidney, *Federal Reserve Bank*; E. Lindseth, President of *Cleveland Electric Illuminating Co.*; Paul J. Eakin, *Hornblower & Weeks*.



(Seated): George E. Jaffe, *W. P. Quinn & Co.*; John P. Witt, *John P. Witt & Co.*; Corwin L. Liston, *Prescott & Co.*; M. Pennell; N. V. Cole, *Ledogar-Horner Co.*; (standing): M. B. Lewis, *W. P. Quinn & Co.*; P. Klocker, *W. P. Quinn & Co.*



Snapped at Cleveland Traders Dinner



Snapped at Cleveland Traders Dinner

Eleventh Annual Dinner, March 28th, 1947



Paul Yarrow, *Clement, Curtis & Co.*, Chicago; Paul Moreland, *Moreland & Co.*, Detroit; Michael Heaney, *Joseph McManus & Co.*



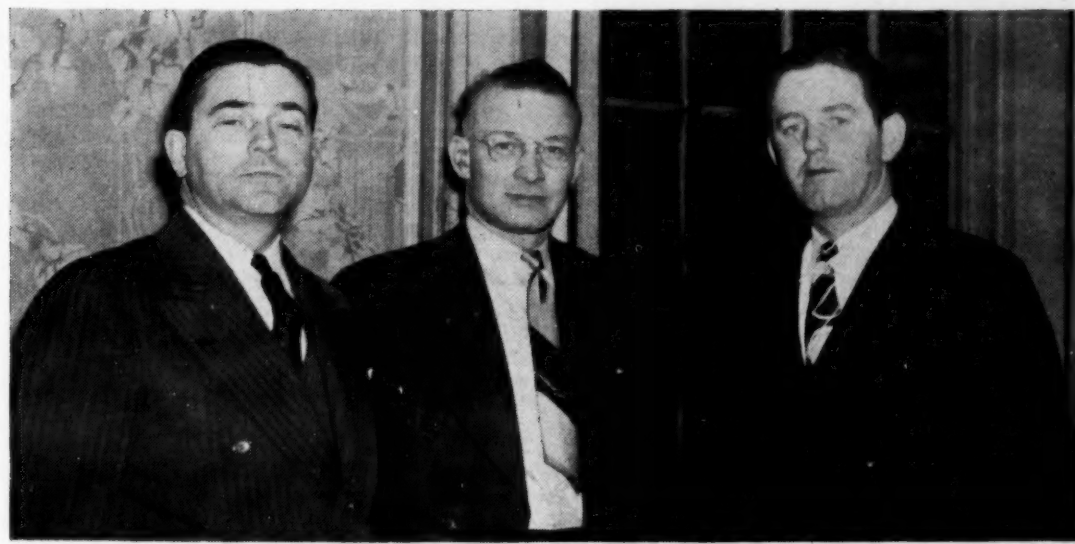
Don W. Plasterer, *Hornblower & Weeks*; Corwin L. Liston, *Prescott & Co.*



Jay L. Quigley, *Quigley & Co.*; Morton A. Cayne, *Cayne, Robbins & Co.*; Richard Gotttron, *Gotttron, Russell & Co.*



Snapped at Cleveland Traders Dinner



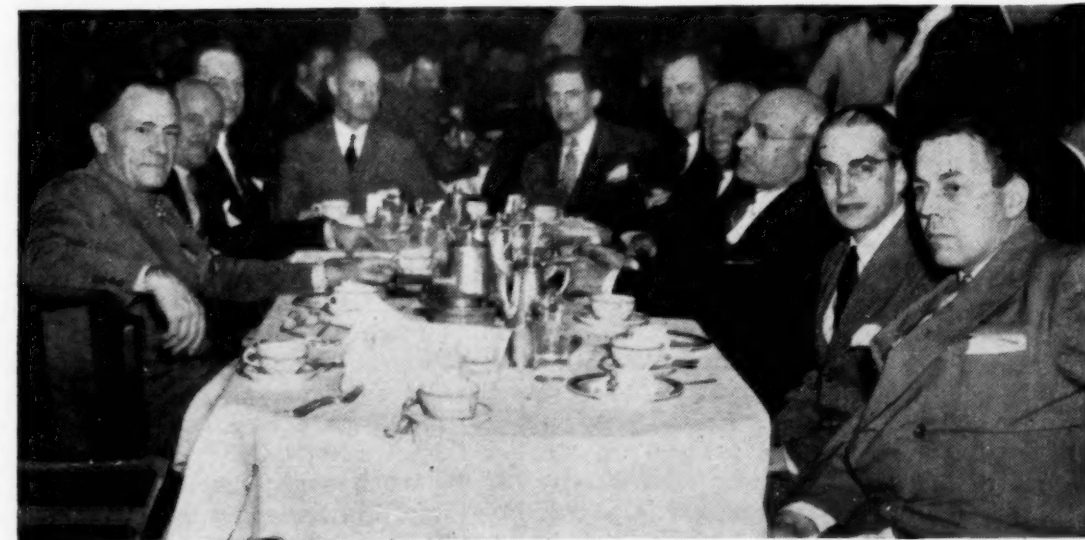
James F. Merkel, Chief of Ohio Division of Securities; Charles J. Odenweller, Jr., Regional Administrator of SEC; Joseph J. Van Heyde, Secretary of National Association of Securities Dealers, Inc.



A. B. Walker, *Thomas Steel*; Franklin O. Loveland, *Field, Richards & Co.*, Cincinnati; H. H. Covington, *Harriman Ripley & Co.*; E. H. Keller, *McDonald & Co.*; R. J. Olderman, *Field, Richards & Co.*



Michael J. Heaney, *Joseph McManus & Co.*, New York; Benjamin Van Keegan, *Frank C. Masterson & Co.*, New York; Chester E. de Willers, *C. E. de Willers & Co.*, New York; T. Geoffrey Horsfield, *Wm. J. Mericka & Co.*, New York.



Roderick A. Gillis, *Wood, Gillis & Co.*; Alvin J. Stiger, *Saunders, Stiver & Co.*; L. Fulton, *Glidden & Co.*; George W. Brown, *Saunders, Stiver & Co.*; J. Dugge, *Saunders, Stiver & Co.*; J. Weeks, *Glidden & Co.*; H. D. North, *Ferry Cap & Set Screw*; J. Meyers, *Cleveland Graphite Bronze*; Wallis W. Wood, *Wood, Gillis & Co.*; W. Lat-ter, *Cleveland Graphite Bronze*.



Robert Hail (standing); Earl Finley, *Finley & Co.*; Walter Gray, *Standard & Poor's*; Thomas Melody, *First Boston Corp.*; Michael C. Hardony, *Finley & Co.*

Struggle for Middle East Oil

(Continued from first page)
from oil alone to becoming a tremendous political conflict between Russia and other powers. But it is the oil interests who stand to gain most from a victory over the Russians in the Near East. Finding most doors to the oil world closed against her, Russia has begun to penetrate oil-rich territories abutting her own doorstep. The 50-year agreement made a year or so ago with Iran may be safely said to be the forerunner of a series of other Russian episodes. And spearheading the opposition to the Russians will be the Standard Oil and British companies as well as the Royal Dutch Shell oil company.

Russia's Growing Power in Near East

Making no secret of her desires nor sugarcoating her intentions, and having forged firm alliances with her East-European neighbors, Russia's power in the Near East is steadily growing.

Directly opposing Russia's maneuvers for unilateral action in the Near East, and impelled by a desire to appease King Ibn Saud and the Arabs, America is expected to play a strong hand in the game of power politics, in which such devices as the Middle East Pipe Line concession, affording special facilities through Palestine to the American Trans-Arabia Pipe Line Co., is a dominating factor.

In order to better understand Russia's motives in her battle for the Near East it may be well to find out what really started Russia on her expansionistic urges.

After the 16th century the corrupt Turkish and Persian empires became easy prey to Russia and Great Britain, who were angling for commercial routes, oil and other resources. When the British East India Co. licked the Portuguese in 1618 for the pearl fisheries of Ormuz, by establishing themselves at Bandas Abbas and Ormuz, the British began to exercise a dominating influence over Southern Persia and have retained that hold ever since.

British and American Penetration

William Knox D'Arcy, an enterprising Australian, obtained in 1901 from the Shah of Persia a

60-year monopoly for the exploitation of oil in all Persia excepting the northern province bordering on the Caspian Sea. D'Arcy subsequently went to London and organized shortly before World War I the Anglo-Persian Oil Co., at first a private company, later financed by the Bank of England, which bought 56% control in the company owning the rich oil fields near the head of the Persian Gulf.

The Anglo-Persian Oil Co. built a large refinery at Abadan, at the delta of the Tigris-Euphrates rivers, and pipe lines connecting the refinery with the principal oil fields about 100 miles to the northeast. As the profits to Britain grew so large, Persia tried to cancel the 60-year agreement in 1933, with the result that the Shah of Persia, Mahomet Reza Pahlevi, who changed Persia's name to Iran, managed to secure a larger share of the spoils of what since then has been called the Anglo-Iranian Oil Co. This company produced nearly 60 million barrels of crude oil, employed 65,000 men and paid out more than \$20 million annually to Persian labor.

In view of these British advantages in Iran it becomes clearer now why Russia moved heaven and earth to grab the still unexploited oil regions in the north of Iran. It was however not the present Soviet regime that had started Russia on her moves for expansion. For that we have to go back to the days of Peter the Great, who started the Russians on their imperialistic escapades, first westward to the Baltic, thence eastward across the Siberian plains to the Pacific, and finally southward to the Black and Caspian Seas, and beyond to the Mediterranean and the Persian Gulf. Succeeding at the Black Sea, at Azov, Astrakhan, Derbent and Baku, Russia's desire to dominate Constantinople, the Bosphorus Straits and Dardanelles presented the more ambitious of her plans.

After World War I the Middle East situation radically changed. With Germany out of the running—her *Drang Nach Osten* dream having gone up in smoke—the Ottoman Empire having disappeared, and with France taking a back seat except of course, for

her mandates over Syria and Lebanon, Russia seemed too much occupied with problems closer at home to concern herself at that time with what was happening beyond her borders.

Left after World War I in a dominant position, and desirous to protect her overland route and strategic life lines through the Suez to India, England moved heaven and earth to procure oil concessions in the Middle East, at a time when she accepted mandates over the Tigris-Euphrates regions and Iraq. Hence the Iraq Petroleum Co. came into being in 1927, truly a mumbo jumbo concoction of international hue and complex, in which French, American, Dutch Shell and British capital participated to the extent of 21.25% each. To market this Mosul oil, a pipe line was laid from Kirkuk to the Mediterranean from Haifa to Tripoli, with refineries at Abadan and Haifa, which proved of incalculable value to the Allies in World War II.

Ending of Anglo-American Rivalry

During World War II the oil rivalry between Great Britain and America dried up somewhat and a well understood spirit of cooperation prevailed, with the result that American private companies managed to secure valuable concession at Bahrain, on the west coast of the Persian Gulf and in Saudi Arabia. Former Secretary Ickes even proposed building a pipe line from these fields to Egypt or Palestine, and suggested a very excellent agreement between Britain and the United States for the development and marketing of their resources. If this agreement had been ratified by the United States, it might have helped to stave off Russia's demands for oil concessions and ease her suspicions. This agreement was also opposed by powerful American companies who saw in it a move to decrease prices and reduce their profits.

The result is that in this present hectic world, in which power politics influences international affairs, the Middle East area has become a breeding ground for suspicion, upon which attention will be focused during the Moscow Conference. With British,

American, Dutch and French on the one side and Russia on the other, and with Greece's fate in the balance, they will battle for position and first place.

To provide a clearer picture of what Russia and the other powers are angling for, a glimpse at the following table gives the 1943 oil production in million barrels of 42 gallons each, in the Middle Eastern area in relation to the other vital oil areas of the world.

Area	Millions of Barrels
U. S. A.	1,503
Central & South America ..	283
Russia	200
Netherland Indies	20
Persia (Iran)	74
Iraq	27
Bahrain, Arabia	11
Egypt	9
Total Middle East	121
Production	121
All other countries'	53
total production	53

Wallace E. Pratt, economic geologist of the Standard Oil Co. of New Jersey, estimated a probable oil reserve of the Middle East at 180 billion barrels, compared with 100 billion barrels for the United States, and 110 billion for Soviet Russia.

In these international oil rivalries the British sought to eliminate the French, so that we may expect France to lodge a formal protest at the Moscow Conference, to ask Britain and the United States for full explanation of the oil agreement made in 1927, to which France was also a signatory.

Having been a partner in the British-French-American-Dutch Iraq Petroleum Co., by which all signatories were to receive equal opportunity to participate in any future petroleum ventures in the Middle East area, France is certain to interrogate Britain and America about the future of oil in the territory of the former Ottoman Empire.

With British power and prestige in the Near East greatly undermined, Britain might be quite willing now to enter into a partnership with America with regard to the partitioning of Middle Eastern oil. There is however one obstacle in this so-called American-British entente and that is that Britain's sterling bloc on the foreign exchange of the Middle East is not going to be so conducive toward securing American sentiment in favor of such a British-American oil partnership.

Parrying for First Place

All the big powers now parrying for first place in the Near East are fully aware that Iran and Arabia may become bigger oil producers than the USA or the Soviet Union.

Saudi Arabia—with her 5.25 million nomadic people, 610,000 square miles of oases and deserts and twice the size of Texas—has vast reservoirs of oil, estimated at 20 billion barrels. The Texas Co. and the Standard Oil Co. of California bought a concession from King Ibn Saud in 1933, to exploit his country's rich oil resources. Since 1943 that country's oil production has gone up by leaps and bounds and it now produces 73 million barrels annually. Its prospects have become so good that plans were made the other day for the construction of the world's largest pipeline, 30-inch in diameter, 1200 miles long, and running from Dharan northward through Transjordan to a Syrian port on the Mediterranean. It will have 300,000 barrels daily capacity, and will save at least 3500 miles on westward shipments.

When this pipe line of the Trans-Arabian Pipe Line Co. is completed in 1950, Saudi Arabia's oil

production will be at least 110 million barrels annually. It will rank fifth in world oil production, with the United States attaining a production of 1,711 million, Venezuela 323 million, Russia 149, and Iran 128 million barrels. And, incidentally, Ibn Saud will get 23 cents royalty on each barrel of Arabian oil produced.

To the United States this Arabian oil will not only mean a supply base for her foreign markets, but it will also fill the gap between America's oil supply and consumption, while in final analysis it may secure an adequate reserve of oil in case of war or other emergency in that area.

Russian Suspicions

While it is highly speculative at this juncture to appraise what this Near Eastern oil will mean to Soviet Russia, the fact remains that Russia is mighty suspicious of having Britain and America operate so close now to her own doorstep. Russia regards this penetration as a conspiracy, something that will surely become evident in Russia's attitude at the Moscow conference.

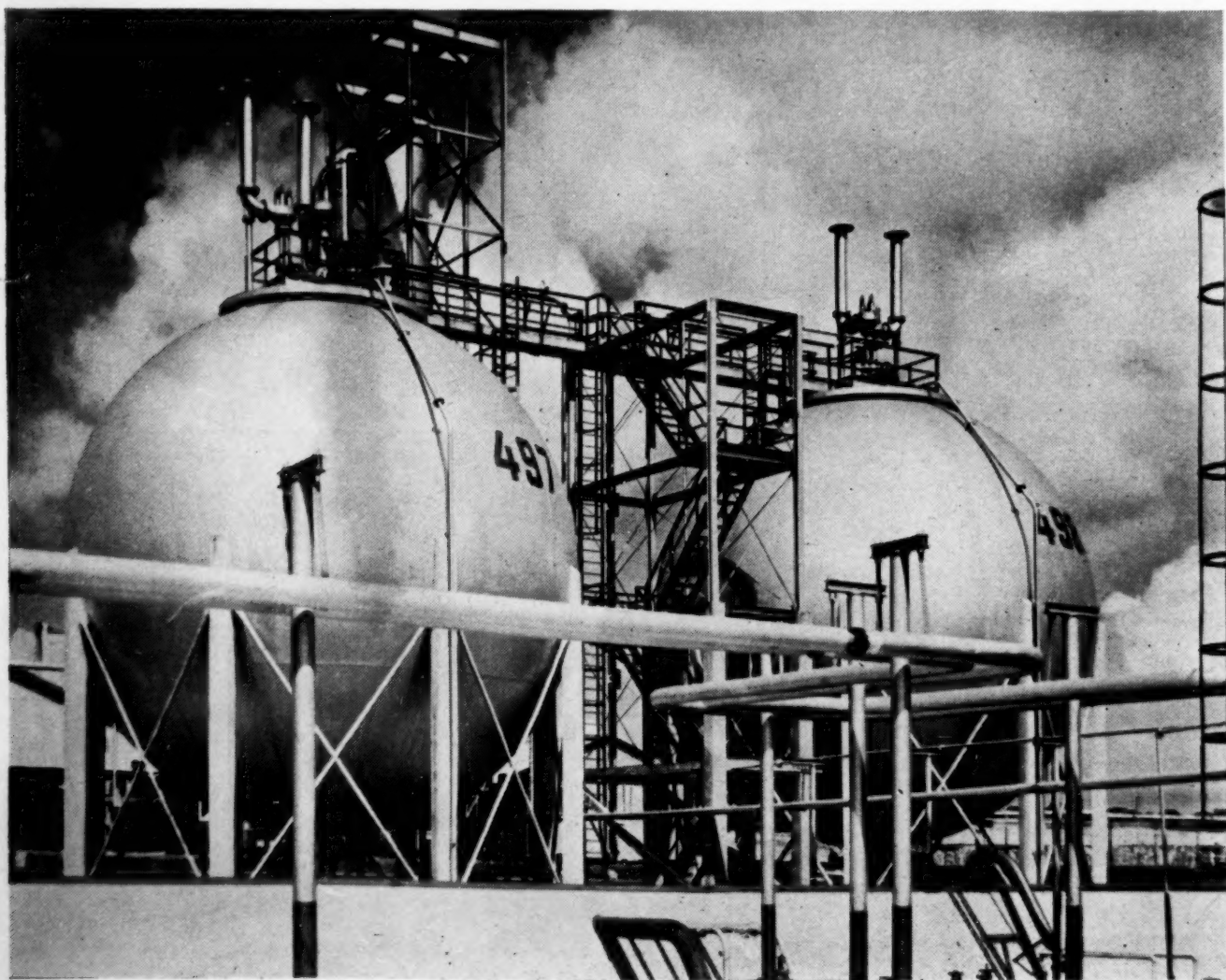
With Russia aspiring to become a great industrial nation and her desire to enlarge her mercantile and naval fleet, it becomes increasingly clear why Russia is angling for Near East oil resources in this strategic and economically-exploitable combustible area. As for her ultimate objectives, Russia still desires direct control of the Dardanelles and the Straits. She poses a direct threat to Greece, Turkey, and British domination of eastern Mediterranean lines. Russia's penetration into southern Iran and her control of a railway cutting that country from north to south, places Russia actually across the British life line to India. This would also divide British-controlled Iran from the British-controlled Mosul oil fields. And now that Russia is pressing down through Iraq to the Persian Gulf, she will in time outflank Britain's Mediterranean route.

Hence all determined attempts on the part of Russia to extend her sphere of influence into any other Arab lands, will become a threat to world balance of power and to peace.

There will be another bone of contention brought forth at the Moscow conference, and that is the question regarding the existence of the Russian Society for the Research and Exploitation of the Oil Fields of Northern Iran. This society seems to follow the pattern laid down by Russia in Eastern Europe, where Soviet and Rumanian and Soviet and Hungarian companies have been formed, over the loud protests of Washington and London, whose agreements are a direct challenge to the interests of American business.

It is to be expected that the question will be posed in Moscow whether such companies constitute a closed door to private capital investment from other nations in these countries, especially since there has been a decided trend on the part of American companies toward increased participation in foreign oil operations and an increasing community of interests in such operations by subsidiaries and affiliates of American domestic oil companies.

It becomes evident therefore from the foregoing that the Near Eastern oil area is destined to become the theatre for one of the most explosive world situations, which will bear close watching in years to come.



Government Responsible for High Prices

(Continued from first page)
whose income do not increase as rapidly as do prices. Pensioners and other fixed income recipients, government employees, white collar workers, etc., have been in this general category. One effect is a growing volume of resistance by these groups to higher prices. Temporarily this resistance may be obscured as overall demand remains high. But in time, it will be reflected in a reduced level of total demand.

Similarly, business firms encounter difficulties when prices rise sharply. Depreciation reserves based upon original cost, prove to be inadequate to replace plant and equipment. In some cases, this creates the need for new borrowing which in turn may feed the prevailing inflation. At the same time, industry finds a growing proportion of its profits or working capital tied up in inventories valued at higher prices. This too, may lead to an increase in borrowing. During the period of price rise, inventory profits may be made but these are rapidly cancelled out when prices decline. In light of this background, the wide interest in price policy and price changes is understandable.

Realism Needed

Much of the current discussion seems unrealistic in terms of what can be accomplished within the framework of our existing institutional arrangements. It should be useful, therefore, to preface this discussion with a review of some elementary economics.

Prices perform a dual role in our economy: They determine the volume of supplies and they also determine how these supplies shall be allocated among buyers. Rising prices act to increase supplies and to cut off the least insistent demands. Declining prices have the reverse tendency. Through this price mechanism a point is reached where supply and demand are in balance at the prevailing price. When demand is very strong in relationship to supply, the result usually is higher prices. When supply is large in relationship to demand, this usually leads to lower prices. The important point to be remembered is that both functions are important. Thus, if profits are high, a price increase may not be required to obtain greater supplies. But the increase may be required in order to allocate the limited supplies among buyers.

If demand is greater than supply and the price system does not allocate supplies, then one of the following alternatives must be adopted. It must be a case of first come, first served, or some system of rationing, allocation or priorities must be adopted, or special influence must be exerted in order to obtain supplies. As we saw in 1946, when price is not permitted to do its job, all three of these alternatives will be adopted. It is well to remember that price is merely an objective, impartial device to divide available supplies. Those persons who desire the product most intensively, will pay the higher price. Those whose needs are less intense, will fail to obtain as much of the product as they would be willing to buy at lower prices. Sometimes it is said that under such a system only the rich will obtain the available supply of goods. While that may be true for a few special luxury products, it certainly is not true when it comes to the necessities of life of semi-luxuries. The basic fact is that for most products it is vital that mass markets be reached if available supplies are to be sold.

As you know, in many segments of the economy this supply-demand-price system operates more efficiently in theory than it does in practice. However, in the organized commodity markets such

as we have for cotton and wheat and for perishable foods such as vegetables and meats, it would be difficult, if not impossible to prevent price rises in most instances under conditions where large insistent demand here and abroad, exceeds available supplies. As a recent U. S. Department of Commerce study notes, "The most rapid as well as by far the largest increases, occurred in farm products and foods where pricing was on a day to day basis and where no single seller had anything to gain by taking a lower price if it were possible to sell higher." These demand-supply forces have been fully operative for food in particular, with consequences I shall note later. At this point, I merely want to recall to you the resistance to dollar a pound meat

and butter that developed last fall and the prompt adjustment of prices to that resistance. Recently, a similar development has been witnessed in connection with bacon and pork prices.

Discretion With Manufactured Products

For manufactured products, on the other hand, the producer can make a deliberate decision, not to raise prices much, to keep them unchanged, or to cut them regardless of the fact that demand is temporarily in excess of supply. Under shortage conditions such as those prevailing currently in many lines, such a decision will necessarily mean that many consumers who would be willing to pay the prevailing price and even a higher price will not be able

to obtain the product. Inevitably, some of these potential customers will bid above the established price determined by the producer to obtain the product. Automobiles furnish an interesting illustration, particularly in the used car market for new cars. However, many customers are able to satisfy their desire at a price lower than that which they would have to pay in a free market.

Industrial Price Policy

With this excursion into theory behind us, I would like to turn now to the question of industrial price policy. Much of the current discussion overemphasizes considerably what industry can do to reverse the recent price spiral. A few figures will give the necessary background for the perspective which is so sadly lacking in much of this discussion. During 1946, approximately 70% of the

rise in living costs was due to the rise in food prices, and 13.5% was attributable to the rise in clothing prices. Approximately half of the total increase in living costs was due to the rise in meat prices (30.2%), and the prices of dairy products (20.1%). These are not the areas of industrial administered prices. These price increases have not been attributable to a conspiracy or collusive actions by big business, cartels, or other favorite whipping boys. Then main factors have been the 26% rise in farm prices and the removal of subsidies which resulted in an increase of about 10% in the food index and about 4% in the total index for consumers' prices. It should be noted that from August 1939 to date, farm prices have risen about 178% while industrial prices have risen only 59%.

(Continued on page 34)

COLUMBIA GAS SYSTEM in 1946

From the Annual Report of Columbia Gas & Electric Corporation

Columbia Gas System is now engaged principally in producing, purchasing, transporting and selling gas. During 1946, Columbia Gas & Electric Corporation complied with the Securities and Exchange Commission's order for geographic integration. This included the sale of its interest in The Dayton Power and Light Company and The Cincinnati Gas & Electric Company.

Columbia Gas System now consists of the Parent Corporation, Columbia Engineering Corporation, the subsidiary service company, and nineteen subsidiary operating companies constituting a completely integrated system.

The System supplies directly or indirectly, about 1,500,000 residential, commercial and industrial customers in an area having a population of about 7,000,000, in Kentucky, Maryland, New York, Ohio, Pennsylvania, Virginia, West Virginia and the District of Columbia.

During the year the Corporation redeemed its Bank loans, Debenture Bonds and Preferred and Preference Stocks and two new issues of Debentures were sold at lower interest rates. This refinancing leaves the Corporation with only one class of stock, subject to \$97,500,000 of debt in short term serial Debentures and long term sinking fund debentures—a sound and conservative capital structure.

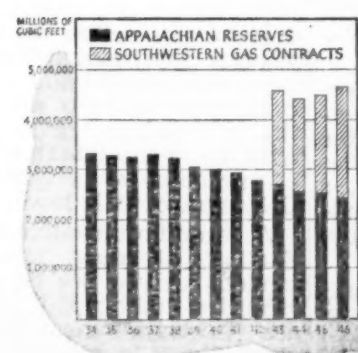
COLUMBIA GAS & ELECTRIC CORPORATION AND SUBSIDIARY COMPANIES PRO FORMA CONSOLIDATED INCOME STATEMENTS

	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Subsidiary Companies:										
Gross Revenues	95,070,481	86,917,688	83,329,353	87,880,149	81,217,593	75,025,186	73,223,570	65,698,462	61,101,352	68,834,327
Operating Expenses and Income Deductions	75,907,977	70,419,714	67,065,962	71,854,730	66,163,901	61,127,278	58,822,023	52,025,856	49,807,975	53,078,969
Balance Applicable to Corporation	19,162,504	16,497,974	16,263,391	16,025,419	15,053,692	13,897,908	14,401,547	13,672,606	11,293,377	15,755,358
Columbia Gas & Electric Corporation:										
Net Expenses	1,578,126	1,633,197	1,949,813	1,920,152	1,772,249	1,417,328	1,353,888	1,566,753	1,403,123	1,490,842
Balance Before Fixed Charges	17,584,378	14,864,777	14,313,578	14,105,267	13,281,443	12,480,580	13,047,659	12,105,853	9,890,254	14,264,516
Fixed Charges:										
Interest on Debentures	2,796,875	2,796,875	2,796,875	2,796,875	2,796,875	2,796,875	2,796,875	2,796,875	2,796,875	2,796,875
Other Deductions	108,757	112,728	108,306	127,704	139,038	194,204	192,420	203,941	260,045	286,641
Total Fixed Charges	2,905,632	2,909,603	2,905,181	2,924,579	2,935,913	2,991,079	2,989,295	3,000,816	3,056,920	3,083,516
Consolidated Net Income*	14,678,746	11,955,174	11,408,397	11,180,688	10,345,530	9,489,501	10,058,364	9,105,037	6,833,334	11,181,000
Consolidated Net Income per Share of Common Stock Outstanding										
Before Provision for Retirement of Debentures*	1.20	.98	.93	.91	.85	.78	.82	.74	.56	.91
After Provision for Retirement of Debentures*	1.04	.81	.77	.75	.68	.61	.66	.58	.40	.75

The above statements are on a "pro forma" basis—that is, they have been restated as though the System during the periods covered had been the same as it is now. These "pro forma" statements and figures exclude, for the entire periods covered, the operations of companies which have been divested and give effect to the refinancing which has been completed. Only on this "pro forma" basis can information concerning past periods be given which is in any sense applicable to the present System; however it must be remembered that the present System did not exist as such in these past periods and the pro forma figures are of necessity restated figures, adjusted to project a present situation into the past.

*The Indenture securing the Corporation's new Debentures requires the Corporation to make regular annual payments for the retirement of Debentures, ranging from \$2,000,000 in the years 1947 through 1949 up to \$3,700,000 in 1970. Although payments to retire debt are not, strictly speaking, charges against income, they must be taken into account in any realistic view of the balance of earnings which the Corporation will have available for Common Stock dividends. Accordingly, in the pro forma income statements for past periods, the net income per share of Common Stock has been shown both before and after deducting from net income an amount of \$2,000,000 for debt retirement.

COLUMBIA'S GAS RESERVES



There is ample gas in Southwest fields which, with The System's Appalachian supply, is sufficient to service Columbia's customers for many years to come. All that is needed are new transmission facilities, construction of which was virtually halted by the shortage of steel and other materials. Columbia's gas reserves are currently estimated at 4,633,000,000 Mcf.

The information set forth here is not given in connection with any sale, offer or solicitation of an offer to buy any securities.

COLUMBIA GAS SYSTEM

The Manufacturers Light and Heat Company The Ohio Fuel Gas Company
United Fuel Gas Company

Amere Gas Utilities Company Home Gas Company
Binghamton Gas Works Natural Gas Co. of West Virginia
Central Kentucky Natural Gas Co. Cumberland and Allegheny Gas Co.
Gettysburg Gas Corporation The Keystone Gas Company, Inc.
Virginia Gas Distribution Corporation

Govt. Responsible for High Prices

(Continued from page 33)

Only one-sixth of the increase in living costs in 1946 was attributable to non-food and non-clothing prices. However, this proportion understates the full significance of the rises in industrial prices because recent increases have not yet been fully reflected in retail prices. But even after allowing for this factor, it seems clear that the extent of any reduction in living costs will depend primarily upon what happens to food and clothing prices rather than upon industrial price policy. The latter will be a contributing factor. But under present con-

ditions, I doubt whether it can be decisive.

Although it is popular to blame businessmen for the recent price increases, they are not responsible for many of the factors which have caused this rise.

Thus, as I have indicated, they are not responsible for rise in food prices which has been the main factor in the rise in living costs.

They are not responsible for the higher freight rates which must be paid because of higher wages or for the many other price increases which have been attributable to higher wages.

DISTRIBUTION OF CHANGES IN CONSUMERS' PRICE INDEX

December, 1945-December, 1946; December, 1945-January, 1947

All Items	Percent Contributions by Groups to Increase in Index		Point Contributions by Groups to Increase in Index	
	Dec. '45-Dec. '46	Dec. '45-Jan. '47	Dec. '45-Dec. '46	Dec. '45-Jan. '47
Food	70.4	68.0	23.4	23.2
Cereal & Bakery Products	9.5	9.3	2.2	2.3
Meats, Fish & Poultry	30.2	30.4	7.1	7.1
Dairy Products	20.1	16.6	4.7	3.9
Eggs	6	1.1	1	3
Fruits & Vegetables	2.2	3.3	0.5	0.8
Beverages	1.1	1.7	0.3	0.4
Fats & Oils	5.0	5.0	1.2	1.2
Sugar & Sweets	1.7	2.2	0.4	0.5
Clothing	13.5	14.4	3.2	3.3
Rent	6	6	0.1	0.2
Fuel	1.7	2.2	0.4	0.5
Householdings	3.4	3.9	0.8	0.9
Miscellaneous	10.8	11.0	2.5	2.6

a—Rent for December, 1946, based on data for September, 1946.

SOURCE—Based upon data of the U. S. Bureau of Labor Statistics.

They are not responsible for the huge volume of credit inflation created during the war years. This is the primary source of inflation and explains the tremendous pressure which has been exerted for upward movements in the price structure.

They are not responsible for the foreign policy of our government which has led to large purchases of grains, which purchases in turn have forced those prices to record high levels and have created serious new distortions in our economy.

Although businessmen are not responsible for the foregoing actions, they cannot escape responsibility for what happens in their own bailiwick. Large demands have made possible substantial price increases for many raw materials and finished products. And prices have accordingly been raised. The first quarter earnings statements which will be forthcoming shortly, will reveal that many products have been priced very liberally. In this sector of the economy, businessmen can do something. They can stop raising prices to obtain windfall profits, and where present levels yield windfall profits, they can reduce prices.

Government Policy Responsible

Nevertheless, while business has contributed to the price spiral, the fundamental fact is that this spiral flows directly from government policy, past and present. I refer particularly to the inflation of bank credit and money supply, the large wage increases forced by the government in 1946, and our agricultural price policy. One would think that the government would welcome a decline in food prices. Instead, what do we find? When price declines have developed in recent months, the government has rushed in to limit them. Illustrations include eggs, turkeys, and dairy products. These actions have been taken despite the fact that farm incomes have been at record levels. Total agricultural income in 1946 was estimated at \$14.7 billion, or more than 10 times as great as the \$1.3 billion in 1939, and substantially above the prewar peak of \$11.8 billion in 1919. Certainly it may be questioned, too, whether the recent operations in the grain markets have been conducted in a manner to prevent new fears of a price spiral and new distortions in the price structure. Of particular importance is the uncertainty as to the probable magnitude of these programs.

Increase of Farm Income

According to the U. S. Department of Agriculture, farm income has increased considerably as compared with a year ago. Thus, in a recent release it was pointed out that:

"Farmers are getting more from cash sales than at this time last year; but much less from government payments. Total receipts during the first quarter of 1947 will be about \$5.7 billion, 25% more than last year. Receipts from marketings are up about 30%. Volume of sales is a little larger; but most of the increase in receipts is the result of higher prices which average 25% above the first quarter of 1946. On the other hand, government payments to farmers during the first three months of 1947 probably will total only about \$100 million, a decline of 60% from last year when production payments were being made on sales of dairy products, beef cattle, sheep and lambs.

"First-quarter cash receipts from the sale of livestock and products will be about \$3.7 billion, 45% more than last year. Prices will average 35% higher. Prices of meat animals will be about 45% above the first quarter of 1946, and receipts will be up 55%. Both cash receipts and prices for dairy products will be about 40% greater than last year. The increase in dairy receipts however, is only about 25% if allowance is made for dairy production payments in 1946. Cash receipts from crops in the first quarter may total about \$1.8 billion, or 8% above 1946. Prices are about 15% higher. Receipts from food grains are about 35% greater, largely as a result of higher prices. Receipts from tobacco are almost 40% above the first quarter of 1946, mostly because of heavier marketings." (Source: United States Department of Agriculture, Bureau of Agricultural Economics, "The Farm Income Situation," February 1947, Released March 16, 1947.)

In some quarters, fear is expressed that a price decline will cause a slackening of production and will induce a business depression. I fail to see how this would apply if farm prices were to reverse part of the increase recorded during the past year. Certainly, a reversal of part of the price increase previously described would promote a healthier economy than we now have.

Many businessmen have been reluctant to reduce prices while demand for their products is so large. Moreover, there is great uncertainty concerning future costs, particularly wage costs. Higher wages are being demanded to compensate for higher food costs, not higher industrial prices. Lower prices for industrial products will not reduce living costs enough to eliminate the demands for higher wages. To the extent that industrial prices can be lowered, it would be helpful, but it will not be decisive. The main relief must come from lower food prices. However, higher industrial prices along with greater volume have contributed to the larger profits reported during the last quarter of 1946 and currently being earned. These higher profits are being used by labor to prove that industry can raise wages to compensate for the higher living costs due to higher food prices.

This claim by labor seems plausible. However, where profits are large and industry is faced with the alternative of a wage increase or price decrease, it seems clear that the economy will be best served by instituting the price decrease. There are several reasons for this. To the extent that wage increases make it possible for workers to continue to pay today's high food prices, farm prices will continue to stay high and other groups in the economy will continue to suffer.

A wage increase can benefit only a small part of the population. A price decrease, on the other hand, benefits everyone—particularly if the demand for farm products is weakened so that they also decline.

Wage Rises Contagious

As a result of the national wage patterns developed during the past few years, wage increases in key industries quickly spread to other companies and other industries whether or not they can afford to pay more without raising prices. On the other hand, as Dr. Moulton of the Brookings Institution has pointed out, a price decrease doesn't have the same "contagious" effect as wage increases. The question is shall we raise the price of labor or lower the price of goods? Wage increases raise costs. Price decreases may lead to lower costs.

Finally, it must be noted that it is easier to reverse a price decrease than it is to reverse a wage increase. The former represents a more flexible instrument of industrial policy. Of course, in some instances it may be possible to grant a moderate wage increase and at the same time to reduce prices. Where wage inequities exist, this would seem to be a desirable policy. In other cases, the main emphasis should be upon price reductions. The importance of coordinating industrial relations and price policy also must be considered. It doesn't help the industrial relations department in its negotiations, if during wage negotiations, price increases are announced in anticipation of the failure to hold wage increases to moderate proportions.

Numerous arguments have been advanced concerning the desirability or lack of desirability of cutting prices under today's circumstances. The main arguments advanced may be summarized as follows:

1. Disadvantages to an industry or company.
 - (a) The producer would be foregoing income and to some extent speculators would be the beneficiaries where supplies are short. In some cases, a price reduction for such products might hamper production.
 - (b) During bad times, the company suffers the loss, why should it not reap the profit in periods of shortage?
 - (c) A distribution problem will be

created because supply is less than demand at that price.

- (d) High profits attract new capital and provide the incentive for expansion in capacity.

2. Advantages to an industry or company.

- (a) Build up good will.
- (b) Secure the economies of steady high level production. Where higher prices can be sustained only temporarily, a reduction, when it takes place, may cause consumers to withhold purchases in anticipation of still lower prices. At the existing or lower level producer is assured of a longer period of capacity demand.
- (c) Steady demand at lower prices over a longer period of time also will reduce likelihood of inventory losses. After allowing for this factor total profit for total period will probably be higher.
- (d) Reduced pressure for wage increases which would result in increase in level of long term costs.
- (e) Fewer new competitors will be attracted into the field. (This is not too significant in industries requiring large capital investment.)
- (f) Price reductions under boom conditions will not be interpreted as being deflationary.

On balance, the advantages of reducing prices seem to outweigh the disadvantages.

In recent weeks, considerable publicity has been given to the price reductions placed in effect by Ford Motor Company and International Harvester. An examination of the financial pages of the newspapers reveals that price reductions have also begun to appear for other "hard goods." Recently, a refrigerator company announced a reduction in the prices of two of its higher priced units. One large company cut the price of portable radios by 20% while numerous price reductions have been reported for off-brand radios. Similarly, price reductions have been reported for off-brand electric irons and electric freezers. The Pullman Company announced a reduction of 15% in the price of boxcars. An examination of the advertisements for the resale of 1946 and 1947 automobiles shows a steady reduction in the premiums requested over dealers' list prices.

Not the least important of the recent price reductions was the announcement that extra changes have been reduced for several steel products, particularly plates, shapes, bars, sheets, and hot rolled strip. These reductions were attributable to "technological improvements." While not too much attention has been given to this announcement because the amounts involved were small, the fact remains that this is the first such price reduction announced by the steel industry. In light of the large demand for steel products, this reduction is real news. It indicates that the steel industry recognizes that prices may be reduced as well as increased. I consider it to be a very favorable sign.

How Prices Are to Be Reduced

The question may be raised, if prices are to be reduced, what is the best form for this reduction to take? Several alternatives may be noted. First, the prices for existing models could be reduced. Many firms are reluctant to undertake this action because of the adverse psychological effect upon previous buyers and an unwillingness to disturb confidence in the prevailing price structure with the consequent withholding of purchases by consumers in anticipation of still lower prices.

A second alternative is the production of new lower priced models such as we have recently seen for radios, ball point pens, etc. This is a logical development since many low priced lines disappeared during the war and their return is desirable to increase the

scope of choice available to the consumer. In this connection, however, it is important to keep in mind that many consumers are reluctant to buy very cheap items as the experience in the bargain basements of many department stores has recently demonstrated.

A third alternative is to eliminate the extra gadgets and in this way reduce the price to the consumer. In effect, this means the sale of a different bundle of goods and services than that now being sold. The obvious illustration is found in the automobile industry where "full line forcing" has been characteristic during the past year. The price of many cars can be lowered significantly if the customer is not forced to buy heaters, simonizing, radios, and the numerous other accessories and services with which he has been saddled.

A fourth alternative is to improve quality, and thus add to the service life of goods which continue to be sold at the same price. The net effect of this approach is to cut the real cost to the consumer.

Underlying any attempt to cut prices, is the necessity to reexamine costs to see where they can be cut and to resist increases in costs which make it necessary to raise prices. During the war, there developed a "cost plus reasonable profit" complex under OPA regulations and government procurement practices. Prices set since the end of the war appear to have allowed for various contingencies including labor difficulties, material shortages, rising material prices, etc. In some cases these contingencies have developed; in other cases they have not. Industry should reexamine the allowances for these contingencies in light of 1947 realities rather than 1945-46 fears. These savings in costs should be passed on to the consumer in the form of lower prices.

In industries where demand is much greater than the available supply, price reductions will not mean an increase in the total volume of sales. But there are other industries where demand is either in line with supply or where supply is beginning to exceed demand. In such cases it would seem desirable to experiment with price reductions of varying magnitudes in different sections of the country in order to determine the extent to which new demand can be tapped by such price reductions and in order to dispose of supplies before they become too burdensome.

Each company will encounter different problems. My observation has been that uniform policies cannot be recommended, because companies, industries and products differ widely in their characteristics. In some industries each of the methods of price reductions outlined above might be adopted. But there will be many other cases where as a practical matter only one of these methods can be adopted. Each company and industry must be studied within its own environment if the most effective results are to be attained.

In conclusion, I would like to emphasize again that government policy rather than industrial price policy is responsible for the present high level of prices. While reductions in industrial prices can contribute to a reversal of this trend, the trend of farm prices will be the decisive factor. Most authorities agree that lower food prices are probable later this year. The extent of any decline will be influenced by the magnitude of our foreign commitments and by the actions taken by Government to support the present abnormally high farm prices. Lower farm prices will go far to eliminate the unbalanced price structure which is a major threat to the continuation of high level employment and production.

"Demand Performance" and the Stock Market

(Continued from first page)

to distinguish between "demand" in the economic sense of "desire plus ability-to-pay," and plain old-fashioned "need" which the world has always had with it ("God must love the poor, He made so many of them," Lincoln), seems to have been overlooked. It is, therefore, a major objective of this study to demonstrate how necessary is such a distinction between economic Demand and social Need.

As the prime argument in support of the bullish stock market outlook is the certainty of great prosperity accompanying all-out production of durable goods to satisfy the "limitless demand," our attention will be directed specifically to an examination of the structure of that "demand." For illustrative purposes in this study, certain assumptions which are patently questionable, but which are made as a concession to the Bull Market viewpoint, seem in order.

(1) That the unprecedentedly high liquid assets position of individuals in the Spring of 1946 still obtains.

(2) That those liquid assets will be 100% available for purchases of durable goods.

(3) That the total number of spending units (i.e., families plus individuals) is 46,000,000; i.e., the indicated base for the 1946 Liquid Assets Survey of the Bureau of Agricultural Economics of the Department of Agriculture.

(4) That all doubts on costs, prices, etc., should be resolved in favor of the Bull Market Economist.

(5) That it is possible to have insulated deflationary changes in parts of the economy (e.g., 10% drop in prices of non-durables) without adversely affecting the remainder.

(6) That the fact of the United States becoming heir to the British Empire's world policing job with its concomitant implications of vastly increased taxes—thus a lower American standard of living—may be safely ignored or deprecated.

Before making a detailed inquiry into the nature of mass market "demand," it will be necessary to determine the amount of goods and services which that "demand" must absorb, according to the Bull Market Economists. The authoritative and comprehensive estimate of the production of goods and services in 1947, contained in the report submitted by the President to the Eightieth Congress, may be used for this purpose. According to that report, the conclusion reached by the President's Council of Economic Advisers projects an overall increase of about 5% for the entire year of 1947 over the 1946 fourth quarter rate. Since the report did not contemplate any significant change in the level of employment, the anticipated 5% expansion in total production is apparently expected to be derived from an increase in the productivity of labor. The table below presents the pertinent figures, and includes our postula-

tion of the probable detailed rate of total expenditures.

Such a postulation of the likely nature and scope of business activity during 1947 in our view fairly states that present perspective of the Bull Market Economist. Before proceeding further, it should be noted that we do not agree with the postulated breakdown of consumer expenditures either in nature or amount. Chief among our many reasons for taking issue with that breakdown is the serious distortion that such a division of expenditures effects in the historical relationship between the three types of spending: i.e., for services, for non-durables, and for durable goods. This brings us to the heart of our difference with the Bull Market Economist: that is, over the nature of the accumulated "demand" for durable goods which is reputedly so great as to constitute not only the all-powerful corrective for whatever maladjustments may appear in the economy during 1947, but will add impetus to its upward surge as well.

In this connection, an interesting insight into the validity of the "demand" (i.e., desire, plus ability-to-pay) of the mass purchasers is had when the individual "spending unit" is given another name, the name by which we generally know it: the "family." In this sense are also included those individuals with sufficient separate resources to qualify. Most families have a "family head" who is a very real person as contrasted with the Economist's "spending unit," which is a technical term with no known material counterpart. If we designate this family head as the "Economic Man," the concept of the "spending unit" takes on flesh. The Economic Man's counterpart used by Bull and Bear Economists alike is the Statistical Man, born of Economists' labored averaging of innumerable figures, indices, and chart correlation data.

To determine how capable the Economic Man is of purchasing the durable goods of the Bull Market Economists, a novel procedure is adopted. Rather than employ the professional economist's practice of postulating gross national income and carrying through the "Disposable Income" a telephone book number for the Statistical Man (who does not exist) to contend with, a new approach involving the assumption of standards of living recognizable to all, is used. In other words, instead of coming from the sky down, we propose to work from the ground up. In the table below, two representative families in the New York metropolitan area, headed up by two typical economic men, are shown. Each has a different standard of living. In the construction of the expenses which they must incur in order to maintain that standard of living, our "leaning-over-backwards" attitude to favor the Bullish view is continued by making the assumption that each of the two family heads is able to make all purchases of

goods and services in the lowest-cost markets.

Case No. 1 is lower-middle class, and No. 2 medium-middle class;

THE ECONOMIC MAN									
Medical & Dental									
Cases—Man, Wife, 2 Children—	Rent	Food	Clothes	Dental	Car	Misc.	Taxes	Finance Chgs., etc.	% Change
No. 1—Ratio to total income.....	17%	34%	9%	7%	7%	20%	6%		
a—Has 10-year-old car.....	5 rooms @ \$50 Mo.	\$100 Mo.		\$20 Mo.	\$20 Mo.	\$60 Mo.			
b—Lives in Brooklyn.....									
Annual.....	\$600	\$1,200	\$300	\$240	\$240	\$720	\$200		\$3,500
No. 2—Ratio to total income.....	16%	21%	8%	8%	5%	33%	9%		
a—Has 10-year-old car.....	5 rooms @ \$80 Mo.	\$110 Mo.		\$40 Mo.	\$25 Mo.	\$170 Mo.			
b—Lives in Westchester.....									
Annual.....	\$960	\$1,320	\$500	\$480	\$300	\$2,040	\$560		\$6,160
No. 1—Ratio to total income.....	6%	22%	6%	5%	3%	13%	9%	36%	
a—Buys new car @ \$1,300 (fin.).....	Maint. & Heat per Mo. \$25							House \$78 Car— 72 Misc. 11 per mo.	
b—Buys 5-room house @ \$10,000 (fin.).....									
c—Buys wash. mach., misc. ap. (fin.).....									
Annual.....	\$300	\$1,200	\$300	\$240	\$180	\$720	\$510	\$1,930	\$5,380 53%
No. 2—Ratio to total income.....	5%	16%	6%	6%	2%	25%	11%	28%	
a—Buys new car @ \$1,300 (financed).....	Maint. & Heat per Mo. \$35							House \$98 Car— 72 Misc. 17 per mo.	
b—Buys 6-room house @ \$13,000 (fin.).....									
c—Buys wash mach., misc. ap. (fin.).....									
Annual.....	\$400	\$1,320	\$500	\$480	\$180	\$2,040	\$850	\$2,250	\$8,020 30%

NOTES:

- Both get \$300 allowed on old car.
- Both make down-payments on house: No. 1, \$2,000; No. 2, \$3,000.
- Both probably buy furniture, save some money, etc. (not ded. here).

*Maid	\$20
Communion and lunches	40
Entertainment	40
Furniture and fixtures	10
Insurance	20
Miscell. (laundry, utilities)	40
Per month	\$170

Summary of Annual Report

TILO ROOFING COMPANY, Inc. is one of the larger organizations engaged in the application of roofing and siding materials for the renovation, repair and maintenance of existing structures. Its business includes the manufacture of asphaltic and asbestos products used for these purposes. As of December 31, 1946, the company's consolidated balance sheet, as audited and presented in the company's annual report to stockholders, shows total assets of \$7,070,190.63; total current assets of \$4,894,416.96; total current liabilities of \$3,374,407.04 and earned surplus of \$2,231,992.62.

Condensed Consolidated Statement of Income Calendar Year 1946

Sales, including gross income from finance fees of subsidiary finance company.....	\$9,381,340.85
Cost of sales, including branch office, selling, general expenses, charges on accounts insured and provision for doubtful accounts.....	7,674,304.45
Other income (net).....	1,877.09
Provision for federal taxes on income.....	675,000.00
Net income.....	\$1,033,913.49

Depreciation and amortization was provided during the year 1946 in the amount of \$62,069.48 of which \$31,935.65 was charged to costs and \$30,133.83 was charged to other profit and loss accounts.

Record of Dollar Volume of Net Sales and Earnings

Year	Net Sales	Net Profit after Federal Taxes	Net Earned Per Common Share
1942	\$4,112,110	\$ 377,905.60	\$.74
1943	5,010,738	412,135.10	.82
1944	5,129,493	477,326.11	.96
1945	5,728,370	489,953.45	1.00
1946	9,381,341	1,033,913.49	2.24

A copy of the Annual Report, which includes the financial statements of the Company, may be obtained upon request.

TILO ROOFING COMPANY, INC.
STRATFORD, CONNECTICUT

GROSS NATIONAL PRODUCT AND EXPENDITURES—1947		Dollar Billions
Gross national product (1).....		215.0
Less Government expenditures (2).....		43.0
		172.0
Less private capital formation (3).....		10.0
Construction.....	10.0	
Producers' durable equipment.....	11.0	
Net change in business inventory.....	6.5	
Net exports of goods and services.....	5.5	
Total private capital formation.....		33.0
Consumer expenditures (4).....		139.0
Services.....	38.0	
Non-durable goods (5).....	75.0	
Durable goods (6).....	26.0	
		139.0

- (1) Estimate based on fourth quarter 1946 plus 5% (present estimate of increase in productivity).
- (2) Estimate on basis of current legislative indications.
- (3) Projection of 1946 fourth quarter.
- (4) Indicated goods and services to be consumed. Breakdown based on third quarter, 1946.
- (5) Reduced 10% for projected decline.
- (6) Increased to offset decline in (5).

"Demand Performance" and the Stock Market

(Continued from page 35)
header "Change," in order for each Economic Man to buy (i.e., finance the purchase of) a house, car, washing machine and refrigerator, No. 1, must experience a 53% increase in annual income, No. 2 a 30% gain. Since, as the discussion on Liquid Assets will show, there are not enough resources to permit these purchases to be made out of savings or their equivalent, the severity of the impact on current income of purchasing all of the standard durables is readily apparent. Even if the purchase of either the house or the car is foregone, the drain on income is still very great. In another section, the relevancy of this fact to the ready market for the various durables is more finely delineated.

At this juncture, it may be well to state in unequivocal terms the authors' views on the Bull Market Economist's approach to the division of national expenditures and income. He uses the principle of "average" or mean estimates in all calculations. This results in a heavy weighting of "average" individual income, savings, and ex-

penditures with the excess amounts of the top few in each income class. The resultant distortion is evident when actual field checks on such individuals are made and the median or "typical" individual (who in the aggregate is the mass market) is found to have much lower income and savings than is generally believed. The degree of this distortion was pointed up by the Department of Agriculture's Field Study of Liquid Assets, made last Spring. In the subsequent discussion, the material contained in that study is drawn upon extensively in support of our view that measuring real "demand" in the mass market involves an appraisal of the actual ability-to-pay of millions of individual real live family units, not of the "average" spending unit, the faceless statistic of most of the professional Economists.

In the table below, we have attempted to put in a single compilation what we consider to be the most revealing of the data on the nature of the liquid assets and purchasing ability of the mass market.

BUYING POWER AND LIQUID ASSETS OF THE ECONOMIC MAN

Income Classes	Income			Liquid Assets		
	% of Total	Mean Aver.	Median	% of Total	Mean Aver.	Median
Under \$1,000	20%	\$600	\$600	7%	\$570	\$20
1,000 — 1,999	27%	1,550	1,500	14%	880	230
2,000 — 2,999	23%	2,670	2,400	17%	1,350	470
3,000 — 3,999	15%	3,540	3,300	16%	1,850	900
4,000 — 4,999	7%	4,590	4,300	10%	2,600	1,450
5,000 — 7,499	5%	6,060	5,500	13%	4,580	2,700
7,500 — Over	3%	13,000	10,000	23%	15,830	7,270
All classes	100%	\$2,620	\$2,020	100%	\$1,748	\$430

Income Classes	Total		Total	
	No. of Spend. Units	Median Income	Median Savings	
Under \$1,000	9,200,000	\$5,520,000,000	\$18,400,000	
1,000 — 1,999	12,400,000	18,600,000,000	2,852,000,000	
2,000 — 2,999	10,600,000	25,440,000,000	4,982,000,000	
3,000 — 3,999	6,900,000	22,770,000,000	6,210,000,000	
4,000 — 4,999	3,200,000	13,760,000,000	4,640,000,000	
5,000 — 7,499	2,300,000	12,650,000,000	6,210,000,000	
7,500 — Over	1,400,000	14,000,000,000	10,178,000,000	
All classes	46,000,000	\$112,640,000,000	\$35,090,400,000	

The function of the table is to show the marked difference that exists between "average" income and "average" liquid assets owned, and that which exists with the typical family head, or our Economic Man. As noted at the outset, for illustrative purposes we are assuming that there are 46,000,000 spending units, of which about 37,500,000 are family heads. The typical family head and typical individual has, as the table shows, \$2,020 in income, and \$430 in liquid assets, as contrasted with the "average" spending unit's income of \$2,620 and liquid assets of \$1,748. Since the purpose in presenting the foregoing statistics on liquid assets is to permit measurement of the ability of the Economic Man to purchase durable goods, certain facts of significance should be noted from the compilation on the typical Economic Man:

(1) That 15% control 46% of the liquid assets.

(2) That it is only within this 15% group that a sufficient accumulation of liquid assets exists to permit either outright purchase of, or large down payments on, one or more of the four standard durables used above (i.e., a house, a car, a refrigerator, or a washing machine).

(3) For this 15% group to figure significantly in the market for durables would necessitate making the dubious assumption that at least half are now without (a) a car, (b) a house, (c) refrigerator, (d) washing machine. As, in 1946, 59% of all homes and farms had electric washing machines (17,200,000) and 68% electric refrigerators (19,700,000), 62% of the 46,000,000 economic men had automobiles (25,000,000), 90% had homes (i.e., dwelling units) (41,300,000), grounds for supporting such a view are obviously meagre. It is revealing to note that each month from May to December, 1946, has witnessed a steady decline in the value of new dwelling units started. (From \$84,100,000 to \$40,400,000, a drop in rate of 52%).

(4) That within the 85% group, which accounts for 37,500,000 family heads, the median income and savings figures are \$1,850 and \$363 respectively. It is apparent that purchasers in this group of either a new car or a new house would be confined only to those in a savings category quite exceptional to that of the typical family head.

Validity of Using Median Figures

As a check on the validity of using median (i.e., typical) instead of mean (i.e., average) figures, reference to the Liquid Assets survey is again made. To the direct question on whether they intended to purchase cars, 84% of the "spending units" (i.e., family heads and individuals) answered "No"; on purchasing a house, 83% answered "No." Only 8% said they definitely would buy a car, and 6% a house. This actual field check on consumer plans, it can be seen, almost exactly squares with the conclusions that can be drawn from our study of median, i.e., typical, "spending units," (namely, that only one-half of the top 15% can even afford to purchase durables).

As long ago as the Spring of 1946, the representative family head and individual realized, therefore, that the postwar car and house had been priced out of his pocket's reach. Only the well-heeled individual in the upper 15% had (and may still have) the wherewithal, although not necessarily the desire, to buy postwar "hard goods." Unfortunately, the desires of this well-heeled individual are easily filled. The number of cars he can buy (at \$1,100 in early 1946, equivalent to a price of about \$1,500 now) totals 2,800,000, about 74% of this year's expected production of 3,800,000. The \$5,020 he wants to spend for a house will not buy any house being built today. The standard six-room frame house cost about \$13,000 to build in January, 1947, and probably more now—completely out of reach of many even in that lush upper 15% group. As regards housing in 1945, 7% of

dwelling units were unoccupied (of which 78% were habitable). Median (i.e., typical) rental for 3.6 rooms was \$16.53; in cities, \$26.91 was typical for 3.7 rooms. This contrasts with a monthly cash-out expenditure for the standard six-room frame house of \$133 (amortization, interest, taxes, heat, maintenance).

Outlook for Durables

At the very least, we believe that an impartial analysis of the structure of the "limitless demand" of the Bull Market Economist argues for the employment of considerable caution in projecting the consumption of durable goods in 1947. At the most, such an examination would seem to in-

1947 CONSUMER DURABLES—PRODUCTION AND CONSUMPTION

	Number	Unit	Retail Price	Cost	12-Mos.	Cash Outlay
Housing units	950,000		\$13,000	\$12.3	\$4.1	33%
Automobiles	4,000,000		1,500	6.0	4.8	80
Refrigerators	4,200,000		209	8	6	80
Washing machines	4,000,000		125	5	3	80
				\$19.6	\$9.8	50%

is attained in these two categories alone, it would represent a 23% increase in the ownership of electric washing machines, and 21% increase in electric refrigerators. While the relative increase over 1946 in the number of cars (estimated at 55%), and houses (58%), which projected 1947 output may achieve, will not effect the same ratio change in ownership, it is the "dollar and cents" consideration with which are most concerned. In the short table below is shown the amount of "demand" that must now be existing in order to absorb the anticipated production of just these four durables.

The impact of large-scale purchases of the four durables upon savings of the family heads can be appreciated from the above table. It would require 70% of the total savings of the 85% group to make the normal 12 months' cash outlay out of accumulated liquid assets. Even if it were taken for granted, as it is in the above table, that credit agencies would permit the financing of these purchases, it is clear that only a fraction of the projected production can be safely absorbed by basic buying power. A more reasonable interpretation of the above table, when it is taken in conjunction with the preceding table showing liquid assets and buying power of the Economic Man, would be that perhaps 50% of 1947 production of the four durables could be absorbed without being unduly optimistic. Even this figure rests upon the somewhat shaky premise that the well-heeled 15%—that is, those Economic Men in the income classes of \$4,000 a year and above—who have the ability-to-pay, also have the desire to buy. The shakiness of this premise stems from the fact that it is just in this 15% group that there can be found most of the owners of the latest cars, most modern houses, the newest refrigerators and washing machines. It obviously would take some unusual measure of optimism to predict that 50% of this group—that is, some 3,500,000 families and individuals—are willing to swap their houses, cars, etc., which have been purchased at price levels some 25%-50% below current ranges, for similar articles whose quality may be definitely inferior, and is certainly untested (especially new houses), at substantial increases in original cost.

Another facet of demand measurement that appears to have been almost entirely ignored is the pressing weight of income taxes upon the Economic Man. In compiling living cost indices, the professional Economist tends to pass over this heavy drain on current income. Yet for our two typical families, such taxes represented 6% and 9% respectively of total income before durables financing, 9% and 11% after durables financing—reflecting the inexorable

that so optimistic have been the estimates of demand that the inevitable readjustment of production, wholesale, and retail price levels to the firm demand that actually exists would be so sharp as to bring on a crisis of major proportions in the economy. Some concept of the possible nature of that crisis toward which the economy appears to be heading is indicated by the estimated figures of production for durables by various industry leaders.

The electrical appliance industry, according to Ralph H. Corndiner, Vice-President of General Electric, quoted in the "Sun," Feb. 25, 1947: "expects to produce between 3,000,000 and 4,200,000 refrigerators—between 2,500,000 and 4,000,000 washers." If maximum production and consumption

ble increases in taxes that accompany gains in income.

The issue between the Bull Market Economists and the Bear Market Economists (i.e., at least two of the latter) may therefore be described as one revolving around the proper interpretation of the term "demand." As we have presented the opposing views, it is felt that the statement of the Bull Market Economists' case has been fairly made. No attempt has been made to inject into this survey the views of the more rabidly bearish economists, of which there are a number, since it is felt that their commentary would have begged the question by denying the major premise of continued high-level production. Nevertheless, for a fuller appreciation of the strength of the Bear Market Economist's position, it is well to remember that if any but the most optimistic estimates of national income materialize, the impact upon sound demand will be much more severe than has been outlined above.

The too-free use of "average" figures in calculating the nature of individual purchasing power ("demand") in the mass market is, in our opinion, the fundamental reason why the prosperity prophesied to follow upon "unprecedented consumption" of durable goods will have been proven to be a chimera. Instead of durable goods actually being purchased, a very large percentage of production is now and will continue to go into manufacturers', wholesalers', and retailers' inventories. This, in our opinion, is taking place because the current insistent demand of spending within the top 15% is creating a general illusion of firm and insatiable markets. For example, 460,000 houses in the \$10,000-\$13,000 range, needing only minor additions, are now available. Presumably they are in addition to the 950,000 housing units to be built this year. Mr. Morgan L. Fitch, President of the National Association of Real Estate Boards (New York "Times," March 2, 1947), is of the opinion that "the need for 4- and 5-room homes in the \$10,000 price range largely has been met and that builders must concentrate on production of a home of good value at \$7,500 or less." Meanwhile, what happens to the above inventory of \$10,000-\$13,000 homes now on the shelf? Beyond that demand of the top 15%, as we believe our analysis proves, there is a vacuum. When the thin layer of effective demand has been exhausted and the illusion becomes apparent, the need for converting inventories into cash will become too great for the marginal entrepreneur to resist. Then will begin an era of price-cutting which will not suffer by comparison with the precipitous slashes that occurred in the fur, jewelry, and luxury goods markets in the Fall of 1946.

This downward spiral in prices

will not be "insulated" by any means. Its effect will be felt throughout the economy and will probably be patterned after its 1921 and 1937 predecessors. Although World War I's postwar 1920-1921 experience was all-pervasive in its consequences, the running time was relatively short, 20 months. As World War II's prospective postwar contraction in general business has yet to begin and its causation is materially different, no predictions as to its length can safely be made at this time.

In one respect do we find ourselves in whole-hearted agreement with the Bull Market Economists: that is, that one of the associative characteristics of the American economy operating at prosperity levels is the production and consumption of durable goods at an ever-expanding level. However, while the production of durables may remain high, their consumption is something else again, as most articles are already priced out of their mass market. Since it is our belief that the eventual readjustment in prices of durables will be so much the sharper for having been deferred, all signs point to a recession, beginning sometime in 1947, and at the latest, by early 1948, which has the potentiality of developing later into a depression of great magnitude. In terms of the Federal Reserve Board Index of Production, this initial development can mean a decline to at least 140. In terms of the Dow Jones Industrial Averages, this would mean an initial drop to at least the 120-130 area.

To Sum Up

In this discussion concerning the nature of the demand for durable goods, we believe the following points have been established:

(1) Eighty-five per cent of the typical family heads and single individuals have insufficient income to finance the purchase of durables at present price levels.

(2) Eighty-five per cent of the typical family heads and single individuals have insufficient savings to purchase, or to aid materially in financing the purchase of, durables.

(3) Current record production of durables in the face of diminishing effective demand portends a continuance of the rise in the rate of inventory accumulation.

(4) The vacuum between real mass market demand and the present level of consumption is being concealed by the current rate of capital formation, extensive use of consumer credit and meeting of the deferred demand of the top 7½% of the "spending units."

(5) The time when the extent of this vacuum will be thoroughly explored is not far off as evidence accumulates daily that supply in an ever-widening number of fields is rapidly overtaking effective demand.

(6) The overtaking of demand by supply has the greatest significance for the economy because of the present historically high level of prices.

(7) A major realignment of the economy is in the offing. In view of the extent of the distortion between the price level, production, and effective demand, this realignment presages a general price collapse resulting in sharply reduced production. The consequent large-scale unemployment will further weaken effective demand, setting in motion a deflationary spiral whose eventual limits cannot at this time be foreseen.

Since the point at issue between the Bull Market Economists and the writers consists in a fundamental difference of opinion as to the meaning of the word "demand," in closing it would be appropriate to quote from Webster the economic definition of that controversial and loosely used term: "Demand—Desire to purchase a commodity, accompanied by means of payment."

Any price is too
high if it can be
reduced

Fowler McCormick

International Harvester announces \$20,000,000 price reductions


We believe there is nothing more important to this country than to lower the prices of the goods that people buy.

The American people have insisted that the government withdraw from its attempts to control prices in peacetime. That places the responsibility where it belongs—in the hands of business and industry. Not all business can reduce prices now. Not all can reduce by the same amount.

Our company has felt a duty to act as promptly as possible. In our case, the business outlook now makes it possible to move toward the goal of lower prices. The only way out of the vicious circle of higher and higher prices is to break through.

We have taken this step not because of present competitive conditions nor because of a drop in demand from customers. We have taken it because of our belief that **ANY PRICE IS TOO HIGH IF IT CAN BE REDUCED.**


These reductions, which will save the users of our products approximately \$20,000,000 a year, will become effective before April 1, and will


 prices had not gone up as much or as fast as many others

Here are Average Price Increases since 1941

All Manufactured Products **63.7%**
(U. S. Government Reports)

Metals and metal products **41.2%**
(U. S. Government Reports)

 Motor Trucks **35%**

 Industrial Power Products **34%**

 Farm Machines **25%**

apply to a selected list of tractor, farm machine, motor truck, and industrial power products. Since we lose money on a few of our products, and barely break even on some others, these reductions will not apply to our entire line. Reductions will be made individually on products. Some will be cut more than others. Exact details will be announced as soon as possible.

Our ability to maintain this lower level of prices will depend in part on what happens to the prices and flow of materials that we buy

from others. Because we believe price reduction is vital, we are willing to assume the risks that are involved.

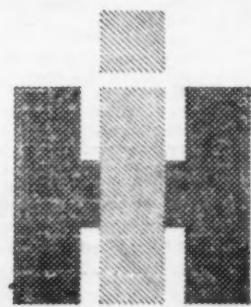
These benefits to customers will depend, too, on uninterrupted production at reasonable wage levels. This is not a program that can be carried out if it is hampered by strikes or work stoppages.

Our employees have had substantial increases in pay, and wage questions are currently being discussed with many of the unions with which we deal. Stockholders have recently had an increase in dividend rate. Having considered the interests of these two groups, we are now making these price reductions for the benefit of the third group—our customers.

Business, to our way of thinking, has a social as well as an economic responsibility. This company has long followed the policy of operating in the interests of three groups—its customers, its employees and its stockholders. The duty of the management is to see that equal justice is done as between the three groups.

This price reduction program is another demonstration of our policy in action.

INTERNATIONAL



HARVESTER

SEC Reverses NASD Ruling in Herrick, Waddell Case

(Continued from page 5)

choose between the services rendered by that firm and what is offered him by others."

The full text of the SEC decision follows:

SECURITIES AND EXCHANGE COMMISSION
Philadelphia

SECURITIES EXCHANGE ACT OF 1934

Release No. 3335.

FINDINGS AND OPINION

In the Matter of

APPLICATION OF HERRICK, WADDELL & CO., INC.

for review of disciplinary action by the National Association of Securities Dealers, Inc.

(Complaint No. 19 of Dist. No. 11)

(Securities Exchange Act of 1934—Section 15A)

NATIONAL SECURITIES ASSOCIATION

REVIEW OF DISCIPLINARY PROCEEDINGS

Setting Aside Action of Association

Where national association disciplined a member for violation of its rules on the basis of evidence insufficient to support its findings of violation and an erroneous application of its rules to that evidence, action of association set aside and record remanded to association for such reconsideration and further proceedings not inconsistent with Commission's opinion as it should deem appropriate.

APPEARANCES:

Spence, Hotchkiss, Parker and Duryee, Ernest Angell of counsel, of New York City, for Herrick, Waddell & Co., Inc.

Baker, Hostetler and Patterson, Stephen C. Thayer of counsel, of Cleveland, Ohio, for National Association of Securities Dealers, Inc.

This is a proceeding pursuant to Sections 15A (g) and (h) of the Securities Exchange Act of 1934, to review disciplinary action by the National Association of Securities Dealers, Inc. ("NASD"), a registered association of securities dealers, against one of its members, Herrick, Waddell & Co., Inc., a registered broker-dealer.

On January 22, 1945, the Business Conduct Committee of District No. 11 of the NASD (embracing the District of Columbia and the States of Maryland, North Carolina, Virginia and West Virginia), issued a complaint against the Washington, D. C. branch of Herrick, Waddell charging it with violation of the NASD's Rules of Fair Practice and alleging that in 39 transactions during July, 1944 it made sales as principal to customers "at prices which were not fair in view of all relevant circumstances and in a manner inconsistent with high standards of commercial honor and just and equitable principles of trade." Hearings were held before the District Committee and on July 27, 1945, it issued an opinion in which it concluded that the prices charged by Herrick, Waddell "in each and every one of the 39 transactions . . . were not reasonably related to the market" and that the firm's conduct in those transactions "constituted a violation of Section 4 of Article III of the Rules, and a violation of Section 1 of Article III of the Rules as it is interpreted by the Board of Governors." On the basis of these conclusions the District Committee censured the firm and directed that it pay part of the costs of the proceedings in the amount of \$250.

An appeal was taken by Herrick, Waddell from the decision of the District Committee to the Board of Governors of the NASD. After taking further testimony the Board of Governors (four members participating, one member having disqualified himself) issued an opinion on Jan. 26, 1946, the full text of which is as follows:

"The members of the Board of Governors being equally divided in opinion as to the merits of the case and unable for that reason to agree upon a determination, the action taken by the District Business Conduct Committee for District No. 11 is affirmed."

Herrick, Waddell brought this proceeding before us for review of the action of the NASD. Briefs were filed and we heard oral argument.

Prior to the institution of the disciplinary proceedings above described, similar proceedings had been instituted on October 9, 1944, by District Business Conduct Committee No. 13 (embracing the States of Connecticut, New Jersey and New York) against the New York office of Herrick, Waddell. Those proceedings are not before us for review but they form part of the present record. There the Committee had questioned the mark-ups in 18 transactions reported by the New York office of Herrick, Waddell. Hearings were held by the Committee, which issued its decision on January 16, 1945, exonerating the firm. When subsequently an appeal to the Board of Governors was taken by Herrick, Waddell from the adverse decision of District Committee No. 11, the Board of Governors, upon its own motion, undertook to review also the New York decision, and the New York proceedings were consolidated with the appeal. On the day the Board issued its opinion, quoted above, affirming the action of District Committee No. 11, the same Board issued a similarly worded opinion in the New York case affirming the action of the District Committee therein. Thus the Board, without elaborating its opinions or indicating wherein its members were unable to agree, upheld both Committee decisions, although they reach opposite results on substantially similar facts.¹

The case which arose in the New York District is not now before us for review since it was decided in favor of Herrick, Waddell by the NASD and our jurisdiction under the statute is limited to cases in which disciplinary action is taken.

There is no dispute about the basic facts and no claim that the penalty ordered is excessive if a violation has occurred. The sole issue is whether the NASD's rules governing the amount of mark-up a member firm may take in the sale of a security to a customer have been violated.² To decide this issue we must determine whether the NASD properly interpreted the rules in the light of the facts presented and whether

¹ The failure of the Board of Governors to elaborate its opinions or to indicate wherein it was unable to reach a decision in the two cases makes it necessary for us to rely entirely on the opinion of the District Committee in reviewing this proceeding. Cf. *Laurence R. Leeb, S. E. C. (1947) Securities Exchange Act Release No. 3898.*

² In this opinion, unless the context indicates otherwise, we use the term "mark-up" to refer to the spread between prevailing market and sales price to the public. However, it should be noted that the evidence in this case with regard to the spreads of dealers other than Herrick, Waddell contains information only as to their spread between cost and sales price, with no indication whether such dealers' costs were the equivalent of prevailing market prices. In the record and briefs, the term "mark-up" has also been used to refer to such spreads. In the case of Herrick, Waddell, who engaged in simultaneous or "riskless" transactions, its cost in the transactions involved in this proceeding was substantially the same as the prevailing market price.

its decision is supported by the evidence.³

1. Applicable Standards

Article III of the NASD's Rules of Fair Practice provides in pertinent part as follows:

"1. A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.

* * *

"4. In 'over-the-counter' transactions, whether in 'listed' or 'unlisted' securities, if a member buys for his own account from his customer, or sells for his own account to his customer, he shall buy or sell at a price which is fair, taking into consideration all relevant circumstances including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that he is entitled to a profit; and if he acts as agent for his customer in any such transaction, he shall not charge his customer more than a fair commission or service charge, taking into consideration all relevant circumstances including market conditions with respect to such security at the time of the transaction, the expense of executing the order and the value of any service he may have rendered by reason of his experience in and knowledge of such security and the market therefor."

In the Fall of 1943 the Board of Governors of the NASD issued a series of letters interpreting Section 1 of Article III of the Rules of Fair Practice. These letters, commonly known as the "5% letters," set forth the results of a survey of the pricing policies of members of the Association which showed that 71% of all reported transactions were effected at mark-ups of not over 5%, and announced the Board's interpretation of Section 1 as follows:

"It shall be deemed conduct inconsistent with just and equitable principles of trade for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security."⁴

The letters concluded with the statement that the District Business Conduct Committees had been instructed to "enforce Section 1 of Article III of the Rules of Fair Practice as above interpreted, having in mind the percentage of profit on which 71% of the transactions above referred to were effected."

The 5% letters were challenged by the institution of a proceeding before this Commission by a group of dealers in which it was asserted that the letters in effect constituted a rule of the NASD promul-

³ Section 15A (h) (1) provides:

"In a proceeding to review disciplinary action taken by a registered securities association against a member thereof, if the Commission, after appropriate notice and opportunity for hearing, upon consideration of the record before the association and such other evidence as it may deem relevant, shall (A) find that such member has engaged in such acts or practices, or has omitted such act, as the association has found him to have engaged in or omitted, and (B) shall determine that such acts or practices, or omission to act, are in violation of such rules of the association as have been designated in the determination of the association, the Commission shall by order dismiss the proceeding, unless it appears to the Commission that such action should be modified in accordance with paragraph (2) of this subsection. The Commission shall likewise determine whether the acts or practices prohibited, or the omission of any act required, by any such rule constitute conduct inconsistent with just and equitable principles of trade, and shall so declare. If it appears to the Commission that the evidence does not warrant the finding required in clause (A) or if the Commission shall determine that such acts or practices are found to have been engaged in are not prohibited by the designated rule or rules of the association, or that such act is found to have been omitted is not required by such designated rule or rules, the Commission shall by order set aside the action of the association."

⁴ Letter of NASD to its members dated Oct. 25, 1943.

gated in violation of the statute and the Association's rules which require that the adoption of new rules have the consent of the members of the NASD and the approval of this Commission, and it was requested that the alleged rule be abrogated.

We analyzed these contentions at length in an opinion in which we found that the letters constituted simply an interpretation of the NASD's rules, a proper form of comment by the Board of Governors, and did not amount to the adoption of a fixed rule governing mark-ups.⁵ Our opinion was careful to point out that in passing on the fairness of prices charged there are other factors besides the percentage mark-up which must be considered. We stated (at p. 11): "Determinations by the committees and by the Board on review must be based on a consideration of all pertinent factors, of which the percentage of mark-up is only one." We also emphasized that in our opinion the mere introduction of evidence of mark-ups in excess of 5% would not be sufficient to establish a *prima facie* case of violation of the NASD's rule, and we expressed the view that if the NASD based a finding against a member solely on the ground that a presumption of wrong-doing arose from charging a mark-up of over 5%, it would be our duty to set aside such determination upon review.

2. The Evidence Adduced in the NASD Proceedings

In the hearings before District Committee No. 11 on the charges filed against Herrick, Waddell the NASD introduced a schedule of transactions reported by Herrick, Waddell setting forth information respecting 50 consecutive transactions in which the firm purported to act as principal in purchasing securities from or selling securities to customers; evidence of current market prices of securities involved; and a statement of the amount of mark-up or spread taken by the firm in each of the 39 transactions questioned. In addition it introduced an exhibit, reproduced as Appendix A to this opinion, which summarized the spreads reported by Herrick, Waddell, and 16 other NASD member firms in the District of Columbia who reported "principal" transactions in response to an NASD questionnaire. This exhibit showed that the percent of gross profit received by Herrick, Waddell in the 39 questioned transactions ranged from 4.2% to 11.4% of cost price and that of the 50 transactions reported by that firm 29, or 58%, involved mark-ups in excess of 5%. In comparison, of 525 transactions reported by the 16 other firms, only 7.3% involved mark-ups over cost of more than 5%. The evidence also showed that 22% of Herrick, Waddell's transactions were at mark-ups over cost of between 4% and 5%, as against 19.8% for the rest of the District, and that 20% of Herrick, Waddell's transactions were at mark-ups over cost of 4% or under, as against 72.9% for the other member firms.

Herrick, Waddell objected to the adequacy of the proof presented against it, and introduced evidence of what it asserted to be "relevant circumstances" bearing upon the propriety of the mark-ups in question. Its evidence may be summarized as follows:

Herrick, Waddell was organized in 1937. Its principal office is in New York City, and it has branch offices in nine cities in the United States. The firm is a member of the NASD and of the Washington, D. C., Stock Exchange. It deals

⁵ In the Matter of the Rules of the National Association of Securities Dealers, Inc., S. E. C. (1944), Securities Exchange Act Release No. 3623.

principally with customers whose average holdings are estimated at about \$10,000 and the average purchase transaction is approximately \$1,200. It is estimated that 75% of the purchases by customers arise from personal conferences between the firm's salesmen and customers at the latter's offices or homes, and the balance from correspondence or telephone calls. Institutional purchases amount to less than one-half of 1% of its total volume of business. A substantial proportion of the firm's business is in listed securities. It has participated in only six underwritings in the five years before these proceedings and rarely takes a position in securities in which it deals. In most purchases by customers the firm purports to act as principal, executing customer purchase orders in a so-called "riskless" transaction in which the firm purchases the security only after it has received the order from the customer and then bills the security to the customer at a stated mark-up.⁶ A schedule of mark-ups is maintained by the firm and all transactions are reviewed by the manager and the firm's New York office to verify that the mark-up charged the customer does not exceed that permitted under the schedule. The firm has twice voluntarily reduced its schedule of maximum price spreads. At the time of the transactions in question, its schedules called for a maximum spread of the lesser of 10% or three points.⁷ Sales of securities by customers are generally handled without charge or at a slight commission on an agency basis.

Herrick, Waddell provides what it describes as an "individualized" investment service for its customers. Its main office prepares for new customers an analysis of all their security holdings, and all accounts are reviewed periodically by the branch manager and the salesmen. An investment committee composed of senior officers of the firm passes on all securities recommended to customers by salesmen and an active list is maintained of from 60 to 90 recommended securities, from which about 90% of its purchases by customers are made. Every transaction is reviewed by the branch manager with a view to its appropriateness to the customer's account. Information on all securities recommended by the firm is kept current in bulletins distributed to the salesmen. It is estimated that over \$95,000 a year, or 29% of total expenses, exclusive of commissions to brokers and salesmen's commissions, is attributable to investment analysis, supervision and research.

In 1942 the firm introduced a program for disclosing to the customer the amount of the firm's mark-up in every transaction in which the firm acts as "principal." Its general practice is for the salesman to inform the customer at the time an order is given that the firm is acting as "principal" and to explain the nature and consequences of its status as such and also to advise that the customer will be charged a mark-up over the cost of the security to the firm. The salesman also discusses the current price of the security and what the mark-up

⁶ No question was raised by the NASD as to whether Herrick, Waddell in fact acted as principal in the questioned transactions under the doctrine expressed by us in the case of *Oxford Company, Inc.*, Securities Exchange Act Release No. 3769 (1946). Although the question is not in issue here, we note that the evidence introduced by Herrick, Waddell (at p. 6 *infra*) tends to indicate that the firm's customers understood and consented to the firm's acting as principal. However, we do not undertake to decide this question in this review proceeding.

⁷ The record shows that since the transactions in question, Herrick, Waddell has again reduced its schedule of spreads with a maximum now of 9% on transactions under \$1,000 or 8% on transactions over \$1,000, but not more than 3 points.

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will be, but no specific price is fixed, the customer being informed that the price to him will depend upon the market price at the time the firm purchases the security. When an order is placed, the security is purchased by the firm to fill the order as promptly as possible and the transaction is confirmed to the customer by a confirmation which sets forth whether the security is listed, that the firm is acting as principal, and the firm's mark-up on the transaction stated in points to the nearest $\frac{1}{8}$ of a point. Herrick, Waddell states that it was a pioneer in the adoption of this disclosure practice.

The firm's salesmen receive commissions of from 50 to 60% of the firm's mark-up. The highest salaries paid in any year were \$12,000 to each of two officers.⁸ The firm's operations over the six-year period, 1939-1944, including underwriting activities which produced profits of \$69,000, showed a deficit, after Federal taxes, of \$1,320.68. Dividends were paid on the firm's 6% preferred stock during the first three and one-half years of the six-year period, but no dividends have ever been paid on the common stock.

3. Contentions of Herrick, Waddell

The first contention of Herrick, Waddell is that the NASD rule is no broader than a prohibition against fraud, and that disclosure obviates fraud. Secondly, on the assumption that the rule does go farther and encompasses activity which while not fraudulent may still violate fair trade practices, it asserts that the District Committee failed to introduce evidence respecting or to give proper weight to other "relevant circumstances" as required by the rules. It contends that, in arriving at a decision on the reasonableness of the prices charged, the Committee failed to consider all aspects of the firm's business and relations with customers, including the special advisory service rendered customers; its limited underwriting activities and general abstinence from taking a position in securities, factors assertedly tending to provide more free and unbiased advice to customers; the small size of the average transaction handled by the firm; the comparatively slow turnover in customers' accounts; the cost of doing business with widely dispersed customers; and the low net profit of the firm over a period of years despite moderate salaries. It also contends that the Committee erred in treating the firm's disclosure practice including disclosure of its mark-ups as "immaterial" rather than as an element bearing on the fairness of mark-ups based on such prior disclosure to and agreement by the customer.

4. Discussion and Conclusions

Our examination of the record in this case leads us to conclude that the NASD's findings are not supported by the evidence taken before it and that the NASD did not properly interpret or apply its rules governing mark-ups. We agree with the NASD, in answer to Herrick, Waddell's first contention, that its rules go beyond fraud. But we cannot agree with the method followed by the NASD in reaching its conclusion that Herrick, Waddell's conduct was contrary to just and equitable principles of trade. Not only did the NASD's presentation of its case and the District Committee's opinion both follow the underlying theory, which we disapproved in our opinion on the "5% letters," that mark-ups in excess of those customarily charged are in themselves conclusive proof of violation of the NASD's rules, but in doing so they relied upon in-

sufficient evidence respecting customary mark-ups.

To establish a standard respecting the amount of mark-up which was reasonable in the Washington, D. C., area, the NASD relied upon its exhibit containing data submitted by Herrick, Waddell and the 16 competitor members in the area who reported principal transactions. As noted, this exhibit set forth the amount of mark-up over cost to the reporting members other than Herrick, Waddell, but neither the exhibit nor the Committee's opinion indicated whether cost to the other reporting members also approximated the prevailing market price at the time of the purchases by their customers. In the case of Herrick, Waddell nearly all purchases were made after receiving the customer's order and the evidence shows that the firm's cost was substantially the same as the prevailing market and the spread between cost and price to the customer approximately the mark-up over prevailing market price. However, there is no evidence as to whether or not the other reporting members in the District of Columbia maintained a position in securities purchased by customers or whether their mark-up over their cost involved a comparable or greater or smaller mark-up over prevailing market price than Herrick, Waddell's. Since mark-up over prevailing market price is the significant spread from the point of view of fairness of dealings with customers in principal transactions, the evidence presented before the NASD did not provide a standard as to amount of mark-ups charged which was sufficiently clear to constitute a proper basis for a finding that any of Herrick, Waddell's mark-ups were unreasonable.

But even aside from this deficiency the evidence was clearly insufficient to support the finding made by the NASD that Herrick, Waddell's mark-ups were unreasonable in "each and every one of the 39 transactions" questioned. In all but three of those transactions, the mark-ups taken by Herrick, Waddell were within the range of spreads charged by the other reporting firms, and in the three exceeding that range the mark-ups were not greatly in excess.⁹ While a greater percentage of Herrick, Waddell's transactions involved mark-ups in the higher ranges reported than did those of its competitors, this fact alone does not warrant the conclusion that Herrick, Waddell's mark-ups were unreasonable in all 39 transactions.¹⁰ We have been unable to find any evidence in the record which cures these inadequacies in the NASD's case, and accordingly conclude that the NASD's findings

⁹ Herrick, Waddell claimed that its highest mark-up (11.4% in one transaction) was charged through an oversight. The NASD did not challenge this explanation.

We do not mean to say that mark-ups are proper merely because they fall within the range of those taken by other firms in the vicinity, for that range may itself include mark-ups which are violative of fair practice standards. But in determining here whether the evidence introduced supports the NASD's conclusions, it is appropriate to compare the range of Herrick, Waddell's transactions with those of the other reporting members.

¹⁰ The danger of giving conclusive weight to the use of percentages in comparing Herrick, Waddell's small sampling (50 transactions) with the results of the larger sampling combined from 16 other firms (525 transactions) is emphasized by the fact that numerically 5 of Herrick, Waddell's transactions were at mark-ups of 8-10 percent (10% of the transactions) and that 5 transactions out of the 525 were at spreads of 8-10 percent (1% of the transactions). But the latter 5 are distributed in an undisclosed way among 16 firms, and do not preclude the possibility that at least one of the 16 had a distribution curve similar to that of Herrick, Waddell.

are not supported by the evidence.¹¹

Moreover, as noted above, Section 4 of Article III of the rules requires the NASD to determine whether the prices charged were "fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that he is entitled to a profit. . . ." It does not appear from the opinions of the Committee and Board of Governors that the factors were given appropriate consideration in arriving at their determination.

It is important to note that this case is not based on any charge of fraud such as was involved in *Charles Hughes & Company v. Securities and Exchange Commission*, 139 F. 2d 434 (C. C. A. 2, 1943) and *William J. Stebnack Corp.*, 11 S. E. C. 601 (1942). In those and similar cases we have held that in transactions between dealers and members of the public there is an implied representation that the price at which the dealer sells a security is a price which is reasonably related to the prevailing market price and that any variance therefrom, without full disclosure of the variance, is a material and fraudulent misrepresentation.¹² In the instant case, however, the record contains evidence, not controverted by the NASD that in all of the transactions which are the subject of the charges there was prior disclosure of the capacity in which Herrick, Waddell purported to act and of its mark-up over contemporaneous cost. There is, therefore, no question of fraud; the issue is solely one of the reasonableness of the mark-up under all the circumstances and, more broadly, one of business ethics. And, while an undisclosed mark-up which is not so excessive as to constitute fraud might nevertheless violate business ethics, it does not follow that the same mark-up, accompanied by full disclosure, is always a violation of business ethics. Accordingly, properly to determine whether the NASD rules have been violated requires a consideration not only of the size of the mark-up but of all pertinent circumstances, including disclosure, bearing on its reasonableness and on the ethics of the transactions. The record as a whole indicates that such consideration was not given by the District Committee in this case.

We are, of course, in accord with any efforts of the NASD to establish for its members and secure their conformance to a high standard of business ethics, and we are fully aware of the difficulties involved in the successful accomplishment of those tasks. But any efforts in that direction must be made with due regard to the rights of individual members. The District Committee here stated that its findings were made "in the light of all the circumstances in this case" but this statement is not borne out by the remainder of the opinion. The opinion labelled the evidence of pertinent circumstances introduced by Herrick, Waddell as "defenses" and treated it in a summary manner. It gave no weight to the estimates introduced by the firm of the percentage of its total expenses allocated to investment service and research, stating without any analysis to support such conclusion, that "an inevitable part" of the alleged research expense was "directly attributable to sales effort rather than to investment research work." Instead of direct-

¹¹ The evidence does not disclose the basis for selecting the 39 out of the 50 transactions reported. Our opinion is not to be construed as saying that the NASD cannot condemn a general course of conduct evidenced by a number of transactions, but if that is the theory of the case, it must a fortiori give careful consideration to evidence of the general conduct of respondent's business. See pp. 10-11 *infra*.

¹² See also: *Duker & Duker*, 6 S. E. C. 386 (1939); *Trost & Co., Inc.*, 12 S. E. C. 531 (1942); *Lawrence R. Leeb*, 13 S. E. C. 499 (1943).

ing itself to the issue whether in view of these and the other circumstances developed by Herrick, Waddell's evidence the prices charged conformed to the NASD's standards of ethics, the Committee's opinion merely stated that these factors in the firm's business did not afford "justification" for charging prices "not reasonably related to the market." This statement in itself indicates the Committee's conclusion that the mark-ups *per se* were unreasonable and unethical and that the additional evidence was merely to be considered as possible "justification" for mark-ups. The evidence respecting the disclosure made by Herrick, Waddell to its customers of the profit taken was given no consideration whatever, the opinion stating that "disclosure is immaterial to the question whether the Association rules have been violated."

A District Committee, composed of active competitors of an accused firm and engaged in the delicate task of policing their own industry under the statutory scheme established in Section 15A must apply its experience and knowledge to the evidence before it. In doing so, we recognize that the industry may properly protect itself against the so-called "high cost" or "submarginal" producer, whose excessive cost of doing business results from inefficiency or unduly high overhead and compels his charging unreasonably high prices to show a profit. However, where it can be demonstrated that higher costs are due to special services performed by the member for the customer, and that in all other respects, i. e., salaries, overhead, commissions, and net profits, the firm is operated conservatively, it should be concluded that prices which exceed those charged by competitors not rendering such special services are not in violation of the NASD's rules if the excess bears a reasonable relation to the cost of the special services.¹³

We do not mean to say that where evidence is introduced to show that a member's mark-ups over prevailing prices have greatly exceeded those customary in the vicinity, the NASD has the obligation to explore all aspects of such member's business to ascertain whether such mark-ups can possibly be warranted by special circumstances.¹⁴ But, even in such cases, if the member offers evidence of relevant circumstances, the NASD must give such evidence proper consideration in determining whether there has been a violation of its rules. And where, as in this case, it does not appear that the mark-ups are in themselves clearly and substantially in excess of those customary in the vicinity, the NASD has the affirmative duty of exploring the questioned transactions and all pertinent circumstances before reaching any conclusion on the reasonableness of the mark-ups. In such examination the fact that the member has disclosed the amount of his mark-up to the customer is not only material but is of considerable importance. When a securities firm rendering more than the customary service discloses to its customer the mark-up it will make on the transaction, the customer is enabled better to choose between the services rendered by that firm and what is

¹³ The NASD has suggested that if a firm furnishes an unusual type of investment advisory service its charges for such services should be segregated and it should qualify with the Commission as an investment advisor. Section 202 (a) (11) (C) of the Investment Advisers Act of 1940 exempts from registration "any broker or dealer whose performance of such services is solely incidental to the conduct of his business as a broker or dealer and who receives no special compensation therefor." The question whether Herrick, Waddell comes within this exemption is not an issue in this proceeding and we deem it unnecessary and inappropriate on the basis of the present record to express any views on that question here.

¹⁴ Cf. *Sherman Gleason*, S. E. C. (1944), Securities Exchange Act Release No. 3550.

offered him by others. Such disclosure aids the customer to negotiate intelligently with the firm and thereby tends to remove unfairness which might otherwise be involved in the relationship between such firm and customer. As we have indicated, the question involved here is essentially one of business ethics. And disclosure itself is an indicium of fair dealing and is therefore pertinent to any question of ethical conduct.

The presence in the instant case of disclosure of the amount of mark-up as well as the other facts and circumstances pertaining to the business of Herrick, Waddell, including the unusual type of business which the firm claimed, the special investment advice which it allegedly supplied, and the fact that it described these features to its customers in negotiating with them over the mark-up to be taken in each transaction, should therefore have been given consideration by the NASD in arriving at its determination whether the accused firm's mark-ups violated its rules.¹⁵

In summary, we have found that the evidence does not support the present findings of the NASD. Although the NASD found the mark-up in "each and every one of the 39 transactions" unreasonable, the evidence shows that many of the transactions were well within the range reported by other firms. And we have indicated a substantial deficiency in the evidence introduced relating to the transactions of such other firms.

We have also found that the NASD failed to give proper weight as required by its rules, to the evidence of surrounding circumstances in the record. The presentation of the NASD's case and its opinion indicate that primary, if not entire emphasis was placed on the amount of mark up taken, although its rules require that all pertinent circumstances be considered in determining whether a given mark up is proper. In making such determination, the type of business engaged in by the accused firm, the nature of its customers, the services performed, and the type of disclosure made are all relevant considerations.

We have considered whether or not we should take additional evidence ourselves on the matters on which the present record is deficient and undertake correctly to apply the rules of the NASD to the facts established by such augmented record. We have concluded that it is more in keeping with the legislative scheme for supervised industry self regulation embodied in Section 15A that the NASD itself undertake to cure the inadequacy of the evidence presented by it and the errors made in relating the evidence to its rules as interpreted by it. This we view as a preferable procedure from the point of view of both the NASD, which is attempting to develop industry standards and Herrick, Waddell, who will thereby have a voice in any efforts by the NASD to develop and apply to it a standard of industry conduct without losing the right to have this Commission pass upon the correctness of such standard and of any disciplinary action which the NASD may take against it. We shall accordingly set aside the NASD's action in this

¹⁵ In its brief and argument before us, the NASD contended that the disclosure of mark-up made by Herrick, Waddell was inadequate because it disclosed merely the point profit taken rather than the amount of its profit stated in dollars and cents. This contention would not appear to be well taken in view of the NASD's failure to inquire into the adequacy of the disclosure and its disposition of disclosure as "immaterial" to its inquiry. We agree, however, that when disclosure is inquired into as a material factor in measuring reasonableness of mark-up, the extent of the disclosure is properly given consideration. And we agree, too, that disclosure in dollars and cents would in most cases be more helpful to customers than disclosure merely in points.

SEC Reverses NASD Ruling in Herrick, Waddell Case

(Continued from page 39)

case and remand the record to the NASD for such reconsideration of the case and such further steps consistent with this opinion as it deems appropriate.

An appropriate order will issue. By the Commission (Chairman)

Caffrey and Commissioners McConnaughey and McEntire, Commissioner Hanrahan concurring in result).

ORVAL L. DUBOIS, Secretary.

(Seal)

APPENDIX A

Exhibit Introduced by NASD in Disciplinary Proceedings Showing Percentage Mark-ups Over Cost Reported by Certain Member Firms in Response to NASD Questionnaire in July, 1944

	District of Columbia Including Herrick, Waddell & Co., Inc.	Herrick, Waddell & Co., Inc.	District of Columbia Excluding Herrick, Waddell & Co., Inc.
Number of Schedules filed	17		
Number reporting "no transactions"	6		
Total	23	50	525
Total computable transactions	575		
Per cent of Mark-up—			
1% and under	19.7	4.0	21.0
Over 1% not over 2%	15.1	—	16.6
Over 2% not over 3%	13.3	6.0	16.2
Over 3% not over 4%	18.3	10.0	19.1
Over 4% not over 5%	20.0	22.0	19.8
Over 5% not over 6%	4.9	10.0	4.4
Over 6% but under 8%	4.5	32.0	1.9
8% under 10%	1.7	10.0	1.0
10% and above	0.5	6.0	—

Statement of Herrick, Waddell & Co., Inc.

The following statement was issued by Herrick, Waddell & Co., Inc., following the release of the foregoing SEC decision:

"The Securities and Exchange Commission yesterday (Friday, March 28) issued an opinion and order, on an appeal laid before it by Herrick, Waddell & Co., Inc., of New York, setting aside the action of the National Association of Securities Dealers in a complaint brought against that firm by the Association in January, 1945. The issues raised by this case have been hotly disputed within the securities industry for several years. The principal issues have been the amount of profit mark-up and the disclosure of that mark-up in securities transactions.

"Barrett Herrick, President of Herrick, Waddell & Co., Inc., said that the Securities and Exchange Commission in its decision vindicating his firm in its controversy with the Association, has upheld the principle long advocated and practiced by that firm, that full disclosure should be made to a purchaser of securities of the prevailing market price and of any addition made by the selling firm for its services to the customer.

"This issue of full disclosure," said Mr. Herrick, "has sharply divided the ranks of the Association and of its board of governors for several years, and the decision of the Commission will go far to support those firms who have insisted that a proper regard for the interests of purchasers of securities requires full disclosure of mark-up as one of the many important facts concerning any security. I believe that the entire securities industry will welcome this decision as settling an issue which has been hotly disputed for at least four years.

"The Commission's decision pointed out that the reasonableness of a profit mark-up depends not only upon the amount by which that mark-up exceeds the market cost prevailing at the time the security is sold to the customer, but also upon all relevant circumstances, which necessarily include the amount and nature of services rendered to the investor. The evidence showed," Mr. Herrick observed, "that our charges were fully justified by our investment service to customers."

"In its opinion the Securities and Exchange Commission said in part:

*** the fact that the member has disclosed the amount of his mark-up to the customer is not only material but is of considerable importance. When a securities firm rendering more than the customary service discloses to its customer the mark-

up it will make on the transaction, the customer is enabled better to choose between the services rendered by that firm and what is offered him by others. Such disclosure aids the customer to negotiate intelligently with the firm and thereby tends to remove unfairness which might otherwise be involved in the relationship between such firm and customer. As we have indicated, the question involved here is essentially one of business ethics. And disclosure itself is an indication of fair dealing and is therefore pertinent to any question of ethical conduct.

"Mr. Herrick stated further that his firm is in full sympathy with the National Association in the latter's attempt to bring about progressive reduction in the charges made to securities customers, especially in the rates and amounts of mark-ups added to prevailing market prices for any special services rendered, such as his firm provides. He said that the firm has effectively demonstrated its sympathy with this constructive program by making three reductions on its own initiative in these charges during the past five years."

H. A. McDonald to Be Honored At Dinner

DETROIT, MICH.—Harry A. McDonald, Detroit securities broker recently appointed Commissioner of the United States Securities and Exchange Commission, will be honored by his associates of the Detroit Stock Exchange and their guests from the financial community at a dinner to be held at the Hotel Statler on April 9, according to an announcement by Milton A. Manley, President of the Exchange.

"This appointment of one of our members is a signal honor to the brokerage profession in Detroit which has always been in the forefront of the fight for higher standards of commercial honor and has labored unselfishly in behalf of the investing public by promoting observance of Federal and State securities laws," said Mr. Manley.

It is expected that prominent officials of the Securities and Exchange Commission and of the Michigan Corporation and Securities Commission will be present to join the partners, officers and senior executives of the city's brokerage and investment banking firms in extending good wishes and pledges of cooperation to Mr. McDonald, who will soon leave for Philadelphia to take up his official duties.

The Labor Government's Failures

(Continued from page 7)

opposite mock at us as exploiters, rack renters and profiteers. It ought not to be forgotten, nor grinned at, that Conservative majorities in both Houses of Parliament in one single afternoon, offered all they had and all that they were worth.

Britain saved herself at that time. Perhaps it may be argued, in the light of history, that she saved the world. But what is so particularly odious and mean, and what has caused this deep schism in our island life, is that this sacrifice so nobly made for victory—not only for our own survival and self-preservation but for the victory of the world cause of freedom—should be used and exploited for party purposes and for the institution of a system of Socialism abhorrent to the mass of the nation, destructive of the free life we have known here so long, and paralyzing to our native enterprise and energy. Advantage has been taken of the generous impulses of the nation and they have been used for the opposite purpose for which they were given. Rarely has there been such a distortion of trust or breach of ordinary British fair play. It is that malversation of wartime sacrifices, that "fraud on the power" which has riven the nation in twain and rendered it incapable, while the abuse continues, of overcoming and surmounting its many problems and difficulties.

Britain's Lower Level of Existence

I have hitherto dealt with what I call the psychological aspect. I now come to the material things by which we live—a lower level, but still essential for the continuance of existence. I will first deal with bread and coal. I shall be told, "You complained of too much regulation. You, Mr. Churchill, complained of too much regulation about bread, and you also complained of too little regulation about coal. Where do you stand upon control of these two fundamental supplies?" It may be asked—it is a perfectly fair question and I give hon. Members opposite an opportunity to cheer it—"Have you any central theme of thought in these matters, or are you merely taking points off a harassed Government as difficulties arise?" I will answer that question as bluntly as I have put it, but it will take a little while. There was no need for a bread shortage and there was no need for the breakdown in coal. I assert that the shortages which have caused us so much trouble and misfortune, both in bread and coal, are merely marginal and could have been provided against by reasonable foresight and prudence.

Of course, now that the crisis has come, all kinds of emergency measures may be necessary, but if we look back to a year ago, it would have been possible though not easy—many things are not easy nowadays—to maintain sufficient supplies to avoid the disasters which have come upon us. First, take bread. The whole of this process of costly and vexatious rationing, to which even in the crisis of the U-boat war we never had to resort, has only saved so far 290,000 tons of wheat out of a total consumption of perhaps 2,500,000 tons a year. Why, then, did Sir Ben Smith give away 200,000 tons of our agreed allocation in April, 1946? Why did the Lord President, in May, waive our claims to another 250,000 tons of foreign wheat which His Majesty's Government had been convinced, and the Food Ministry had been convinced, our people needed? Here were 450,000 tons that we could have had for our under-nourished people which were whistled down the wind last year for reasons

which have never been properly explained to Parliament.

Compassion, charity and generosity are noble virtues, but the Government should be just before they are generous. There is no virtue or wisdom in so far undermining the physical strength of our population that we ourselves have to join the ranks of those who were broken by the war and cease to have the power to help the world even to make the British wheels go round. There are international bodies of great power and force nowadays, and undoubtedly they will continue. We do not get very well treated on these international bodies, anyhow. We do not seem to be able to stand up for ourselves, for our own rights and our needs. Of course, when the new British Food Minister says that we are on the whole better nourished than ever before, not much sympathy can be expected from international bodies dealing with a number of countries who are not at all backward in making their claims and dilating upon their woes. Let me repeat what the Chancellor of the Duchy of Lancaster is reported to have said the other day:

"Already in this country the people are probably enjoying the highest standard of living in the world. We are not even suffering from as many shortages as people would imagine."

What chance have we got before these international committees of making our case for the hard-working people of this island, when it is given away beforehand by the Minister? I affirm here this afternoon that the British people today are under-nourished. They are less well fed—[Interruption.] I have never heard much anger expressed, in my long experience, from the Left Wing and Radical quarters about anything which got more food to the people. It has always been a point they championed. But now the Government's Socialist policy comes first and the welfare of the people comes second. I say that our people are less well fed in this victorious but precariously balanced island, with its magnificent but at the same time delicate and ramshackle structure of wealth-producing apparatus than are the populations of Holland, Belgium and Denmark. They are three countries which have just emerged from long years of Prussian German Nazi rule.

Food Issue

I say there was no need for bread rationing with all its inconveniences and the additions to our clerical staffs and paper forms so dear to the hearts of the party opposite. I say there was no need for all this inconvenience if we had not needlessly and wrongfully given up the basic share to which our condition entitled us, which our ships could carry, and which our money, albeit borrowed, could last year and this year at any rate buy.

I challenge the Government directly and in detail, on this food issue. We are frequently informed that 2,400 calories is the minimum daily amount to maintain a human being in a state of health. It was only a few weeks ago that we were told in this House by the Parliamentary Secretary to the Ministry of Food—who is in her place and whose authoritarian demagogue would inspire all, if her agreeable personality did not somewhat discourage it—that our rations gave us less than 1,400 calories, and that from food bought on points, another 200 calories could be derived, 1,600 calories in all. Yet the Chancellor of the Duchy—he has gone—I did not mean to knock him out so quickly. The Chancellor of the Duchy was challenged because the Germans only got, as was said, 1,550 calories. He explained that this was

merely the basic ration, and that two-thirds of the Germans were getting rations varying from 2,550 calories to 3,990 calories. I hope it is true. I would not begrudge anybody the food they can get, but how do the statements correspond with the arguments which are used to make us content with the diet which, without having committed great crimes in the world, our nation has now to receive?

We are told, of course, that our people get another 1,300 calories from foods outside the rationed types. Well, I should like to know where. To get 1,300 calories each, persons would have to eat 5 lb. of potatoes or 8 lb. of cabbage every day, and which of us, I should like to know, except perhaps the President of the Board of Trade, would do that even if we could buy such quantities of vegetables and could afford to pay the price which is being charged for them? I am quite prepared to take my share of whatever the British nation subjects itself to, but not necessarily to contemplate receiving with composure the consequences of the mismanagement of the right hon. Gentleman and his colleagues. I repeat that the British people are under-nourished today. This lethargy in work and falling-off in individual output to which attention has been drawn from every quarter of the House, is only partly due to Socialist teachings. It is mainly due to a shortfall in the necessary calories in respect especially of the heavy manual workers. All this is quite apart from the dreary, dull monotony of diet which directly affects incentive. Let us put up a fight for John Bull's food anyhow—[Hon. Members: "Hear, hear."] He will make the sacrifices if he is called upon to do so, but to run him down as low as this is a scandal and a shame.

The whole business of purchasing food and other commodities the State, that is to say the Government officials and Ministers involved, have already shown a lack of foresight and judgment which plainly reveals their incapacity as compared with private traders competing with one another, animated by the profit motive, and corrected constantly by the fear of loss and by the continual elimination of the inefficient. That is a general principle. I say that the wanton and partisan—this is only an incident, but I cannot omit it here—destruction of the Liverpool Cotton Exchange will be for ever held against the distinguished record of the President of the Board of Trade as an act of folly and of pedantry, amounting to little less than bad citizenship.

Coal

Now I turn from bread to coal—[Hon. Members: "Where is the Minister?"] I am sorry that the Minister of Fuel and Power is not here. I intend to devote an important section of argument to the matter for which he is responsible. I cannot, however, consider that the Business of the House should be frustrated by the evidently calculated absence of the Minister concerned in any particular matter which it is necessary to raise. I will address myself to the Prime Minister as far as possible in this matter.

Here in the case of coal the argument is much clearer than in that of bread. The saving produced by all this stoppage of industry, with its measureless reactions upon our means of earning our livelihood in future years, and averting financial catastrophe, has been very small. What does it amount to? The only figure we had was given to us by the Prime Minister. He said there was a saving of 550,000 tons at the electrical generating stations. That is much less than a single day's output of the mines. How much

should I add for the other direct saying: two, three, four days' output? The Government have not told us. Perhaps I should say it is four days—five at the very most. That is all we have saved by the whole of the inconveniences and hardship inflicted on the domestic consumer and the stoppage of industry, leading, mind you, to a rise in unemployment only just short of the previous high peak of unemployment, the last time a Socialist Government was in office in 1930.

It is no pleasure to me to hit the Minister of Fuel and Power now that he is down—I do not know whether he is out or not, but he is certainly not here. I must, however, mark his total lack of foresight. The misleading statements which he made repeatedly are so notorious that I will not trouble the House by quoting them, though I have them here. They have certainly robbed him—I say this seriously to the Prime Minister—of the credence and confidence of the public. Everyone knows he is a very straight, honorable man in private life, but no one will believe his statements about the coal situation in future, and no statement that he makes will receive the slightest attention. It is a matter which certainly should be considered, and which perhaps explains his absence from our Debate this afternoon. He failed to persuade the Cabinet in good time or else they failed to persuade him—I cannot tell, naturally—but he failed to persuade the Cabinet of the calamities which would come upon us, if we ran short of the few odd millions of marginal coal which should be kept as a sacred reserve, as what is called the distributional minimum or, in the "Digest," distributive stock.

There were produced in the year 1946 189 million tons of coal. If we had had only 4 million or 5 million tons more, we could have got through without this disaster, and with something in hand. Five million tons extra, and we should have come through this hard, hazardous winter without a breakdown. The plainest warnings were given. It is remarkable, looking back, how often the figure of 5 million tons of coal was mentioned. Belatedly, the Minister of Fuel and Power himself realized it—"What stands between us and success this winter?" he asked on September 26 of last year. "A matter of 5,000,000 tons of coal." On that coal, he said, depended the salvation of this country. And Mr. Horner—Comrade Horner—speaking at a coal production conference at Edinburgh on October 6 said:

"For each 5 million tons of coal of which the industry might be short, there will be a consequential loss of employment to more than 1,000,000 people."

There was certainly not any lack of warning from that quarter. Five million tons of coal. Why, the Government allowed its Minister of Fuel or its President of the Board of Trade to export 9 million tons, no doubt with very good reason, in this same year. No doubt the reasons were good but, nevertheless, 9 million tons of coal were exported in bunkering or otherwise during the year, and of 5 of these 9 millions kept at home, or 5 millions imported in good time, would have saved us from a breakdown in the whole of our productive industry which will cost us directly tens of millions and, indirectly, hundreds of millions in the productive energies of our people.

It is no new topic. We watched the coal position vigilantly every year of the war. We took the necessary difficult decisions each year in good time. In January or February you must always make sure that you will be able, by the winter, to build up your stocks to the normal 18 million tons of coal or thereabouts, so that you do not drop below the distributional minimum on account of any extra

winter consumption. All through the war, we succeeded in keeping this reserve intact. The President of the Board of Trade stated in his comprehensive speech two days ago, that during the war we had steadily reduced our stocks. That is quite untrue.

The President of the Board of Trade (Sir Stafford Cripps) indicated dissent.

Mr. Churchill: It is no good the right hon. and learned Gentleman shaking his head; he cannot alter his own "Statistical Digest," or what he calls his own "Statistical Digest," by shaking his head. Our so-called distributive stocks, parcelled out throughout the whole country for the daily consumption, in the winter of 1944, were larger than those in 1939. In the intervening years between 1939 and 1944 they were larger still. Why then, did he say to the House that we had eaten into, or worn down our reserve of coal during the war? It is quite inaccurate. The right hon. and learned Gentleman two days ago, with a great deal of emphasis, lifted up this book which I hold in my hand, and charged hon. Members that they had probably never read it or would not recognize it. He took it as a book for which he should have the credit—"Socialism gets things done"—as if he had published this book, brought it out. Why, this very return, this "Digest," was brought into being at my wish, in the autumn of 1940, but, of course, in the war the figures could not be published. What the right hon. and learned Gentleman has done is to claim the parentage and the credit—if credit there be for such an obvious act, as to make it public.

However, while he has made it public, and lectured hon. Members of this House on not studying it with more attention, there are some facts in it which have at any rate escaped his omniscient eye. The first one is that there was no inroad of stocks under all the cruel, hard necessities of the war. The figures can be found on page 20. For the first time, in the dawn of 1945, the National Government of those days saw the red light. We have a record of what happened at the turn on that year. The usual coal scrutiny was made, as it ought to be made by the responsible Ministers at the head of the Government, 10 months before the event. It was reported to me that we should have in April—April is the key month, because then we turn from the winter expenditure to the summer scale in the coal year—only 10 million tons instead of the normal 12 million tons which we had always considered the minimum, and therefore it would be difficult to build up to more than 16 million tons by the end of October. Look at that—January, 1945. Those were very rough days. The Von Rundstedt offensive which had been launched in the Ardennes was still in progress. We were preparing to cross the Rhine. Everything was being strained for that. Nevertheless, at that moment, rather than fall below the minimum precautionary coal reserve, I sent a minute, being well advised, to the Minister of Fuel and Power—my right hon. and gallant Friend the Member for Pembroke (Major Lloyd-George) the bearer of a famous name—stopping all further commitments to export coal, even to the Armies, without my express permission.

Seriousness of Coal Shortage

It is a very serious thing to run short of coal in this island when a matter of five million tons can save it. It can ruin the whole of one's war making capacity. What happened after I left office I do not know. By the winter of 1945 the Socialist Government had only built up our distributive stock to 13.8 million tons. Fortunately for them, industry was changing over and had not got fully into its stride. The winter was mild, so

we got through to the spring without any major dislocation. That was a period for which we were jointly responsible. There was the National Government, followed by the Conservative Government at the beginning, and the right hon. Gentlemen opposite at the end. What happened then? In April, 1946, the so-called distributive stocks were down to less than seven million tons—smaller than they had ever been in this century. Surely, then the danger must have been glaring.

The National Government had taken extraordinary measures when our stocks dropped to 10 million tons; it was a very strong measure to check the supply of fuel to the Army when we were pushing a great operation. It is true we can always rely on them having a little up their sleeves. The quartermaster spirit is not lacking in the ranks of the British Army, but still the position was very serious. We took these extraordinary measures when the stocks dropped to 10 million tons. The present Government, however, who have been so busy with so many important intellectual exercises, do not seem to have taken any care, although the stocks dropped to seven million tons. For a year it must have been obvious that, without exceptional measures, we should never reach the desired 18 million tons by the autumn. That was the time when the Government should have realized what impended. That is the time when they should have taken steps to meet the otherwise inevitable catastrophe—a catastrophe which would have happened, whatever the weather. The weather has added to the misery and discomfort of all our people, but it has not altered the march of economic events in a decisive fashion.

Why did not the Government do anything? I ask the Prime Minister to let us know tonight. We were not at war then. All our enemies were conquered. The seas were opened. I am told there is more tonnage afloat now than there ever has been. A little ordinary forethought and a little planning, would have made sure that the necessary minimum of stocks in reserve were not lacking. I cannot understand the answer to this question. Why did the Government not buy more coal? If they could not get it in any other way, why did they not buy it? I am assured that it could have been bought. Five million tons would have done it, and more than done it. It might have cost £8 million or £9 million, but if we did not want it, we could have sold it again. We should have wanted it as it turned out, and we should not have sold it again.

Planning Utopia

Here are these gentlemen who are all so clever and eager to make an earthly Paradise, where all the work does itself, where all we have to do is to soak the rich—if any can be found—and hire more officials for control, if there are any unemployed. They had forgotten this elementary precaution. They were so busy planning Utopia, so ardent to score off their party opponents that they forgot their duty, they gave away our bread, and forgot our coal. If five million tons of coal had been bought in the last 12 months, in America or South Africa, it would not have stopped this hard winter but, at least, we would have had the means to come through it without a collapse. It is not a very good advertisement for Socialist planning. In fact, a frightful injury, easily avoidable, has been inflicted upon the wage-earning masses and the unhappy middle class, which will lead to worse privation in the future. That is one of the justifications for the Amendment which I am moving.

Consumption of Electric Power

Before I leave the subject of coal, there is one other fact upon

which I must correct the President of the Board of Trade. On Monday I asked whether the rise in the consumption of electricity had not been offset by the corresponding reduction in the domestic consumption of coal. The right hon. and learned Gentleman's answer was:

"No Sir. The right hon. Gentleman is quite wrong. There has not been a corresponding reduction at all." — [Official Report, March 10, 1947; Vol. 434, c. 981.]

According to this "Statistical Digest," of which we share the parentage, in 1938, the last pre-war year, the domestic consumers got 45,500,000 tons of coal. In 1946, they got only 31 million tons of coal—a drop of nearly a third. In the same period the consumption of coal for electricity works increased by about 11 million tons, from 15 million to 26 million tons. But of this, as the Secretary of State for the Dominions informed us in another place, only about one-third is to be reckoned against the domestic consumer. Thus, whereas the domestic consumer was cut by 14,500,000 tons of coal, and as his or her—the housewives come into this—increased use of electricity corresponded to less than four million tons, there was a net reduction of 10 million tons in 1946 as compared with 1938, which is the last pre-war year. The population has not diminished. The ordinary people still feel the difference between heat and cold. They still have to use fuel sometimes to cook their dinner. Why, then should there be this severe reduction in the supply of coal? I venture to think that the right hon. and learned Gentleman should study more carefully than he evidently has found time to do, with so much on his hands, this Digest which he commended so ceremoniously to us the other day.

So much for bread and coal. I think I have answered that question—that the government could have avoided both these shortages by taking reasonable precautions, and that any other government which has ever sat on the benches opposite would, in the normal working of its affairs, have had the foresight to take these quite manageable measures in good time and not lead us where we are today.

About Housing

I must say a word about housing. I am sorry that the Minister of Health is not here, and still more sorry for the cause. We are glad to know he is improving in health. We shall all be very glad to have him back here, in order to bring home to him the position in which we stand. The destruction wrought by the enemy by the bombing of our homes raised the building and repair of our houses to the very first urgency after food and fuel. In nearly two years, in spite of all the regulations, penalties and paper forms, we built fewer permanent houses than were built every two months under private enterprise and Tory government before the war. Remarkable. In those two years when it was really Operation No. 1, fewer permanent houses were built than were built in the ordinary course of affairs, under private enterprise and a Tory government before the war. [Hon. Members: "What about after the last war?"] I thought it was coming. We shall, no doubt, be reminded of his failure after the previous war. It is quite true that he was a great failure; and he was dismissed by Mr. Lloyd George, with lively Labor approbation. It is no part of my duty to defend Lord Addison today. But the need of rehousing then, was not comparable with what it is at the present time, because the cessation of building was not so complete and prolonged, and millions of houses

had not been damaged or destroyed by bombing. Besides, everyone should live and learn.

We improved a lot of things in the war which has just finished, from the mistakes made in the 1914-18 war. Certainly we ought to have rectified a lot of the mistakes made in the last peace, in the one which has now come to us. I am sure it would have been possible, with energy, ingenuity and good will, for the Minister responsible to set in motion again the vast flexible, complete system of house building, both by private enterprise and by local authorities, which in the years before the recent war, was producing houses of a good kind for letting or sale, at a rate four times as rapid as that at which the government can boast, today after two years of peace and nearly 20 months of office. Socialist propaganda and trade union prejudice have attained a remarkable result in Lord Quibell's case. Here was a Socialist peer, a former and much respected colleague of ours, who tried to stimulate house building by a system of bonuses for the builders, through the number of bricks laid per hour. The builders liked this system, and responded to it. Up went the production rate. Well, we all know what happened to Lord Quibell's scheme. And this is typical of what is happening all over the country.

National Expenditure

I turn to the national expenditure of money and manpower. I will mention only a certain number of items which might demand the attention of the House of Commons. First of all, instead of leaving the Germans to manage their own affairs and helping them as much as we could, as Christian men, while stopping rearmament, we are spending £120 million a year on trying to solve their problems when we cannot solve our own, in trying to teach them all to hate the Nazis and only succeeding in teaching them to hate us. Then there is Palestine: £82 million since the Socialist Government came into power squandered in Palestine, and 100,000 Englishmen now kept away from their homes and work, for the sake of a senseless squalid war with the Jews in order to give Palestine to the Arabs, or God knows who. "Scuttle" everywhere, is the order of the day—Egypt, India, Burma. One thing at all costs we must preserve: the right to get ourselves world-mocked and world-hated over Palestine, at a cost of £82 million. Then there is all this silliness, amounting almost to lunacy, about the spending of the American Loan. I must say, I thought it was to be used to re-equip our factories and plants, and to give us the essential food while we got on our feet again. But apparently far less than one-tenth—I am not going into smaller fractions—was spent on re-equipment, and all the rest is subject to further decision.

Then there is the story about the dried eggs. Half the foreign exchange spent on dried eggs last year, if devoted to bringing in maize, would have given twice as much real nourishment to the British people, and there would have been the chickens as well. But no. The maize must go to the delightful people in Yugoslavia and Albania, who murdered 44 of our sailors a few weeks ago. Indeed, some of it may have gone to the Poles and Czechs who, I understand, are offering to export eggs and poultry to us. Then there are the Poles in this country. I would have had them all parked out suitably in Germany, far from the Russian or Polish lines, within six months of the end of the German war. It never occurred to me that anything else but that would have been done. Now they are with us

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The Labor Government's Failures

(Continued from page 41)

here, eating. I am told, in many cases, better rations than we are allowed to have ourselves. I am sorry for these men; they are brave men who have defended their country's cause. But presently the Government will have a bitter quarrel with them; a quarrel which has begun already. Surely, it would have been wiser, in principle at any rate, to have 180,000 Poles in Germany and 180,000 more Englishmen at home? Then, of course, we are told it might have offended Russia. His Majesty's Government have been very successful in not offending Russia. Perhaps they will allow me to offer my congratulations on that.

At the present time we have the pleasure of being administered by 460,000 more civil servants—double the size of the pre-war Army—than we had before the war began, at a cost calculated at £150 million a year. The Socialist ideal is to reduce us to one vast Wormwood Scrubbery. I do not wish to exaggerate it, because it is quite true that at Wormwood Scrubbs there is only one official to every four prisoners, whereas up to the present we have the advantage of only one official to look after every eight wage earners or producers. There is nothing like getting the facts accurately. I am looking at the expenditure of the year. I hope the Chancellor of the Exchequer will be following this discussion, for I am sure he cannot be entirely blind to some of the tendencies which I am indicating.

We come now to the Minister of Defence. As I say, I was glad not to have heard his quite unexpected performance yesterday. I have a regard for him, and I also think that a Minister of Defence should stand a little aloof from party and Parliamentary disputes. [Hon. Members: "Why?"] Because he is supposed to run the Services, in which all parties take an interest from one point of view or another. Of course, I doubt whether he has improved his prestige and authority by the exhibition he made of himself last night.

I am bound to say, I hope the Service Estimates will be examined by the House with great care. Quite apart from the fighting strengths which have to be maintained—which I am not arguing today—I fear a very great degree of non-effective padding has been introduced into all three Services under a lax and incompetent political control. I should like to know, as the result of a searching inquiry, whether, for instance, in the Navy there is not a much smaller proportion of men afloat to men ashore, or of men afloat to the money we pay, than has ever been known before. I should like to see some figures on that. I should like to know whether in the case of the Air Force, there is not an ever-increasing ground-staff compared with those who fly; and in the case of the Army, whether the proportion of fighting men—which is, after all, the end and object of military forces—is not getting continually smaller. It is the old story I have often told of the teeth and the tail. At the moment, I believe, the teeth are falling out and the tail is growing ever longer and fatter. Surely, the Chancellor of the Exchequer and the House of Commons as a whole should take some interest in this aspect.

I suspect, moreover, that the military, naval, and the Air Force chiefs, for whom I have the greatest regard, are not sufficiently controlled in these financial aspects by the present Government. The control by Parliamentary Ministers of the Services is more important in time of peace than

in time of war, when military views necessarily predominate. We have weak or absentee Ministers in all three Service Departments. All three heads have been changed in a year. There are new Ministers now. There is a new Minister of Defence, if he would not absorb himself entirely in politics. Nevertheless, it is the duty of the House of Commons to make sure that strict Parliamentary and financial control should prevent waste, and overcharge to the public. It is doubly important now to reduce redundant non-effectives—quite apart from strategic issues—when so many of our troops are abroad and, consequently, affect our limited foreign exchange.

There are two great topics with which I ought, certainly, to deal, agriculture and finance; but I cannot trespass too long upon the indulgence of the House. [Hon. Members: "Go on."] The first of these topics was dealt with last night by my right hon. Friend the Member for Saffron Walden (Mr. R. A. Butler); and we shall explore, or ask to be allowed to explore, most thoroughly in the near future, the very grave situation in home-grown foods, and future plans for growing them. As to finance, I shall follow the example of the Chancellor of the Exchequer, and reserve what I have to say on that dominating subject until the Budget, which is now not far distant.

Destroying Free Markets

The French have a saying, "Drive Nature away, and she will return at the gallop." Destroy the free market, and you create a black market; you overwhelm the people with laws and regulations, and you induce a general disrespect of law; you guillotine legislation in the House of Commons, and pass masses of Orders in Council. You may decree that a builder who builds a house without a license is liable to seven years' penal servitude, but you will find that juries will not convict him. You may try to destroy wealth, and find that all you have done is to increase poverty. In their class warfare, the Government have no right to appeal to the spirit of Dunkirk.

I read with interest, and not without surprise, paragraph 9 of the White Paper. The House, no doubt, has it in mind. The point that struck me was this:

"Our methods of economic planning must have regard to our special economic conditions. Our present industrial system is the result of well over a century's steady growth, and is of a very complex nature. The decisions which determine production are dispersed among thousands of organizations and individuals. The public is accustomed to a wide range of choice and quality in what it buys. Above all, our national existence depends upon imports, which means that the goods we export in return must compete with the rest of the world in price, quality and design, and that our industry must adapt itself rapidly to changes in world markets."

The Leader of the Liberal Party must have been very pleased at this. It carries us back to the old days of Adam Smith and John Stuart Mill. It carries us back to the periods when the laws of supply and demand had some validity, and when the qualities of free enterprise, hard work, thrift, contrivance, and good housekeeping were said to be the sources of national wealth. This paragraph 9 of the Government White Paper might have been conceived by Mr. Gladstone or Mr. Bright. It might have been in the clearcut language of Herbert Henry Asquith, in the days when the calm lamp of Liberal wisdom shed its refulgent gleam upon a happier

world. I wonder who was the civil servant who wrote this for his Socialist masters? Out of the 2,000,000 we have at present, he should be the last one to be sacked? What is the meaning of this death-bed confession? It is the recognition that the life of this island people of 47 million, cannot be maintained under the Socialist system. It is a confession that not only have we been deeply injured by all the Government's neglects and mismanagement of our ordinary daily affairs, but that the Socialist dream or the Socialist nightmare—which you will—for which so much of our great prosperity has been sacrificed, is false and foolish, and that it would not enable our present numbers of people to inhabit this island or maintain the standard of life to which we have hitherto attained. Why, then, with a situation so complex, throw a series of nationalizing spanners into this indispensable system, which is the "steady growth of well over a century"? Why do it wantonly at a time when external facts are so adverse, and all the resources so scarce?

Inefficiency of Government

Let me put this case in more general terms. In most cases, management by private enterprise is not only more efficient, but far less costly to the wage-earners, than management by the huge official staffs now quartered upon the producers. Let every man now ask himself this: Is it the interest of the wage-earners to serve an all-powerful employer—the State—or to deal with private employers, who, though more efficient in business, are in a far weaker position as masters? Is it the interest of the housewife to queue up before officials at public distribution centres, as Socialism logically involves, or to go as a customer to a private shopkeeper, whose livelihood depends on giving good and friendly service to his customers? Of course, the State must have its plan and its policy. The first object of this plan should be to liberate and encourage the natural, native energies, genius and contrivance of our race, which, by a prodigy, have built up this vast population in our small island, and built up a standard of living which, before the war, was the envy of every country in Europe. The first object then, is to liberate these energies; the second stage is to guide and aid all the forces that these native energies generate into the right channels. The Government have begun the wrong way round. They have started with control for control's sake on the theory of leveling down to the weakest and least productive types, and thus they have cramped and fettered the life-thrust of British society. I have assembled and cited all these examples of the foolish misdeeds of the Government as an explanation and justification of why we have no confidence in them, and why we regard their continuance in office as a growing national disaster.

If I turn to the future, it is only for a moment. In considering the future, one is on much less certain ground, first of all, because we do not know all the facts, and it is foolish to prophesy unless they are known, and, secondly, because it is always difficult to strike the true note between giving a necessary warning and spreading despondency and alarm. I do not wish to emphasize unduly the various degrees and forms in which the crisis will present itself to us in the next 12 months. In the White Paper, the Government have certainly gone a long way in indicating some of our principal dangers and have not shrunk from confessing that much of what they have been

teaching all these years to the wage-earning masses is false, or that the great hopes they encouraged and the promises they made at the General Election are false still.

Cannot Save Country With Class Warfare

One thing appears to me to be perfectly clear. The Government cannot save the country and carry on the class warfare and a Socialist program of nationalization at the same time. They must choose between the two. Either they must go down in a measureless crash with their party flags nailed stoutly to the mast, and carry our country down too, or they must make an effort by dropping their Socialist legislation, by freeing industry and enterprise from the trammels in which they have entangled them, and by restoring, at the earliest date, the outraged sense of national unity, to get out of the troubles in which we are. That is their choice, and their only choice. We have not the power to control their decision. The choice is theirs, but on it our fate depends. Whatever they decide, we shall do our best to minimize the evils they have wrought. We shall inculcate obedience to their decrees wherever these affect the national safety or well-being, even though we dissociate ourselves from all responsibility for the ruin now facing the land.

We do not desire a Coalition. We do not grudge the Ministers their offices, and certainly not their cares. Nevertheless, we must earnestly hope that the Prime Minister and his principal colleagues will take the right turning at this grave moment in British history. The speech which the right hon. Gentleman made at Hanley to win party cheers on 15th February was ominous. It was not up to the level of events, nor was it worthy of the hour. I trust that tonight, he will have the courage to strike a truer note of national leadership, and one more worthy of his wartime record in both the wars.

I have two convictions in my heart. One is that, somehow or other, we shall survive, though for a time at a lower level than hitherto. The late Lord Fisher used to say "Britain never succumbs." The second is that things are going to get worse before they are better. Before the glowing promises, by which the wearied and unthinking people were seduced at the General Election, have been atoned for, all of us, wherever we sit, will have much to endure. We are bound to give the warning while the time remains. It is right to arouse our people to the peril in which they stand. Only when they realize fully the decline and descent psychological, social, financial and economic, into which we have fallen, and, in part, been thrust, since our glorious victory, will those forces arise in the land in which redemption and recovery can be found.

Robt. Fischer With Fahnestock in Chicago

CHICAGO, ILL. — Robert J. Fischer, formerly a partner of Russell, Brewster & Co., is now associated with Fahnestock & Co. as manager of the Chicago office, 135 South La Salle Street, it is announced.

Prominent in LaSalle Street business circles since 1914, Mr. Fischer is a former member of the governing committee of the Chicago Stock Exchange, a former chairman of the Chicago Association of Stock Exchange Firms and was for several years a partner of Frazier Jelke & Co. in charge of the Chicago office.

Says Buyers Are on Hand-to-Mouth Basis

(Continued from page 4)

is reported due to car shortages, both in movement of finished goods out and raw materials in.

"All in all, inventories have been considerably reduced and better balanced in the last few months.

Buying Policy

"Short-term commitments are the order of the day. Many purchasing agents are on a 'hand-to-mouth' basis in buying readily available materials. One to three months is the predominant purchasing policy. Lengthy commitments are dictated by the lead time of some vendors' production scheduled. In line with inventory policy, forward commitments are generally made only to protect current rates of production.

Specific Commodity Changes

"Many purchasing agents report offers of scarce commodities by brokers at excessive prices. Steel and plywood are prominently mentioned. Buyers are urged to resist this speculative influence on prices by purchasing only from regular and established sources of supply.

"Copper, lead and paper led the field in price advance. Abrasives, ammonia, brass, carbide, construction materials, grain, fats, lubricants, textiles, cast iron and steel scrap are all higher.

"Gasoline may be scarce and higher this Summer as stocks are very low for this time of year.

"Caustic soda still tight—coke in short supply—electrical heavy goods still on long delivery schedules.

"Lumber steady to easing—aluminum sheets and coils improving in supply. Silver is lower—Polystyrene lower—some pipe deliveries better.

"Several industrial expansion projects are reported held up because of high costs for labor and material. One area reports high priced housing is now overbuilt.

Employment

"March continued the February upward trend. Skilled labor is scarce in many sections. Unskilled male help is more plentiful, but female workers are in short supply. Some temporary layoffs have been made because of car shortages and railroad embargoes. Less turnover reported—less absenteeism. Recent quick settlement of rubber and petroleum strikes may indicate there will be no big labor upset this Spring.

Canada

"Business is reported at a high level, with tendency to increase. Employment same as last month. Prices are higher, with considerable pressure on the Government to accelerate decontrol. Buying policy generally from one to three months. Business is very good in Canada."

Emil Schram Named Outstanding "Hoosier"

Emil Schram, President of the New York Stock Exchange, has been named the "outstanding Hoosier of the year" by the Sons of Indiana for his role "in directing attention to the need of broad, free markets in the nation," it has been announced. Mr. Schram, the organization said, will receive a citation praising his "vigorous campaign to awaken the country to the prime need for defending and supporting our way of living built on individual initiative," at the annual dinner of the group on April 11.

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Price and Production Policies Need Revision

(Continued from page 13)

Price and production policies typical of the recent past—and of the present day—are a threat to our economy. They arouse fears, prevent stability, generate panics, and ultimately result in the elimination of the equities gained by some in the boom periods. They affect adversely the worker, smaller manufacturer and middle class. Unfortunately for the development of a rational price and production program, our large corporate and financial interests have been increasingly insulated from the devastating effects of bad price and production policies. They have been responsible for them but have been least affected by the havoc they create. These dominant economic groups have been perched securely on top without subjecting themselves severely to self criticism. That is one major reason for feeling pessimistic about our long-run success in meeting these issues.

Export Drive Merely Postpones Reckoning

Many are now seeking to postpone the day of reckoning by urging huge exports and loans abroad to sustain volume. This proposal will not balance national income and expenditures on a permanent basis. Such loans and aid abroad are imperative and our real responsibility. But such a policy will only breed its own problems, as we learned in 1929. We may even sustain large public expenditures for internal expansion. But they cannot alone correct a major imbalance in our national income and expenditure statement caused by present price and production policies. The economic trends essential for full employment must be operative if such aids as the above can be effective.

Organized labor recognizes the critical importance of these policies on the course of our economy. Its own programs and policies are conditioned by industry's behavior. If price and production programs are adverse to the national, and the worker's best interest, the trade-union is bound to seek protection for its following. Wage policies are shaped by the workers' experiences in our economy, and the results of the operation of their policies. The more uneven the course of our economy, the greater the likelihood that unions will concentrate their efforts on protecting workers against economic abuse. Security then becomes the key to policy. On the other hand, prices and production policies which advance a stable, progressive, full employment economy will always tend to promote cooperative trade-union policies. Trade union economic policies can be most effective in aiding our economy when price and production policies are correct. It is because trade-unions can only affect those by exhorting management to make changes that the trade-union activities can have only a secondary influence. They can be the critics rather than the managers of our economy.

Price policies cannot be considered by themselves. Consumer costs are determined not only by the price of goods but also by the goods from which he can select. If industry is only producing highly expensive goods with many frills and additions, such as our current car models and dress styles, the economic effect is most depressing. Such goods eliminate various strata of buyers and absorb an excessive proportion of the national income on a limited volume. The quantitative demand for goods is reduced with a consequent reduction in the standard of living. Even though the dollar volume remains as high for the moment, such a situation

favors excessive mark-ups and profit margins and tends to accentuate the trend toward economic contraction. In our credit economy, it is likely to result in an over-extension of credit. Moreover, the failure to provide goods for the lower income groups restricts the expansionist tendencies in our community, and limits the potentialities for large scale, and more economic, production and new markets.

Prices and Production Must Be Jointly Considered

The policies affecting the goods to be produced are therefore just as significant in determining the course of our economy as the prices themselves. Another policy, namely the level of production employed in determining the break-even point, is as vital in fixing the ultimate price as the mark-ups and financial charges which are added to the calculated costs. Both price and production policies must be considered jointly, therefore, in reviewing industry's price problems.

The market-determined price generally results from the free interplay of "the demands of buyers and sellers where the number of buyers and sellers is so great that such individual policy decisions can exercise no more than an infinite similar effect." Fewer and fewer prices now belong to this category. Many factors have contributed to the diminishing significance of the market-determined price, usually associated with production schedules which expand with rising profit and contract with losses. Most significant is the growing importance of manufactured goods as against agricultural products. Secondly, more and more industries are based on large scale capital investments producing complicated and differential products which reduce the number of active competitors in many fields. Thirdly, business customs and conventions have minimized the number of prices; these include among others "price lines" and uniform national or regional prices. Finally, many legislative developments since 1933 have discouraged market-determined prices. Beginning with the NRA codes sponsored by trade-associations, business has promoted the State Fair Trade, and Price Maintenance Acts; the Miller Tydings Enabling Act and the Robinson Patman Act. Finally the OPA set ceilings on goods to limit the inflationary possibilities on a shortage economy.

Since so many prices are now consciously influenced in varying degrees by producers, it is important to examine the policies affecting businessmen and comment on their influence on the development of this country. Foremost among these policies is the businessmen's aversion to price competition. Markets, he reasons, are not captured permanently through price reductions. Businessmen do not consider price changes as the most effective method of broadening their individual markets. Price cuts lead to retaliation and provide no protection of markets. The consumer who is attracted by price cuts is not a fixed customer. He is likely to transfer his purchases to lower priced competitors. Price wars are costly and destructive, and feared by producers who maintain heavy capital for production. Trade associations have discouraged price competition. They exalt the stabilized price even on a regional or national basis. If adjustments have to be made, businessmen prefer, and some state laws require, that it be in the form of concessions which may assume one of a hundred or more forms other than outright price cuts.

The significance of this trend away from price competition can-

not be overlooked. First, it means that we cannot expect extensive price reductions. Producers of manufactured goods, are reluctant to enter upon such price reductions, except through a general consent to do so. That is why the deliberate efforts of the Ford Manufacturing Co. to secure such reductions on a wholesale scale from suppliers is so well attuned to the times. Unfortunately this company had its knuckles rapped by the General Motors Corp. which subsequently raised prices. We cannot expect widespread automatic downward price adjustments in most industries. At best concessions will be granted largely to the preferred buyers.

Second, high cost producers will tend to be sheltered by the dominant interests to avoid price conflicts. Under such circumstances the weaker elements in an industry become more obedient to the dictates of the powerful, who suffer the continued existence of the weak to prevent publication against their practices. Public morality is less likely to be outraged by the semi-monopolist who does not outrightly drive smaller enterprises out of business. The result is to neutralize the competitive position, and the political independence, of the smaller entrepreneur.

Third, prices are likely to be set to maximize profits rather than to assure an economy of full employment. In times of stress production is likely to be curtailed in preference to cutting prices, thereby aggravating employment.

Benefits of Lower Costs Not Felt

Finally, and very significant from labor's point of view, the benefits of lower costs resulting from technological changes are less likely to percolate freely into the price structure. Consumers are therefore not likely to share as much in these benefits. If labor does not secure higher wages, they redound to management exclusively. Such was the experience of the twenties and for the most part during the thirties. The results were disastrous.

The second policy dominating many significant industries is the substitution of non-price competition. Instead of trying to outbid each other for public favor through price adjustments, an increasing number of industrialists have chosen to express their rivalry in a variety of ways unrelated to prices. The emphasis is on quality, service, performance, brand or other differentiating characteristics of the products. Large businesses prefer this method of competition because they enjoy the resources and prestige necessary to build by such means a secure following, frequently at most attractive prices. Smaller concerns tend to atrophy and their disappearance does not tend to stir up public resentment.

This form of competition has become more and more characteristic of industry and explains the continuous growth in advertising expenditures. The development has great significance for all of us. First, it means, as we have previously indicated, that price reductions are likely to be retarded even if lower costs are attained by individual producers. Second, it discourages price flexibility in response to the ups and downs of the market. The automatic market has largely disappeared. Third, it encourages price leadership, patent pools, rigid licensing, basing points and base price systems, which border on business collusion to restrain competition. Fourth, it increases expenditures on many items which add little to the article's usefulness. Fifth, it encourages emphasis on factors which may be unimportant in determining the utility to the consumer. Sixth, it relies on the consumer's credulity, and

his power of judgment which he is not prepared to utilize expertly. Seventh, prices lose their direct relation to cost. Eighth, producers are likely to seek their answer to bad times through production curtailment, rather than price adjustment. Ninth, the economy becomes subject to wider fluctuations as corrective price forces are not as easily invoked or sought early in the down swing of the business cycle.

The third policy dominating much of American industry is emphasis on products directed to the middle and upper strata of the American population. This is a normal corollary of the previous two policies. The emphasis on non-price factors has meant that manufacturers have stressed quality and other similar aspects of the product. They have built up the cost of their products so that the lower income groups are unable to buy them. We have already noted that the emphasis of producers on these products has serious effects on our economy. They absorb excessive proportions of our income on a few commodities; they inhibit the rising standard of living; and discourage expansionist tendencies in our economy.

Low Capacity Break-Even Points

The fourth policy is the tendency to fix the break-even points of production at unusually low levels of capacity. In the prewar period a company like the U. S. Steel Corp. maintained a 43% break-even point during the period of 1929-1943; the automobile industry, 57% for the period 1928-1934.

American industry started its postwar planning with relatively low break-even points in mind. This fact is convincingly illustrated by the replies of some 65 industries to the War Production Board concerning the volume of peacetime operations which would represent capacity production and the break-even level. These estimates were probably higher than those actually employed since the replies were made to determine the allocation of new equipment and certifications for new construction. In any event the overall break-even point reported was 52% for industries with capacity production of some \$10 billion. Some break-even points were as low as 20%.

In 1945, it was estimated that the break-even point for our economy was 60%. In the reconversion period the prevalence of bottlenecks which retarded production encouraged management to depress break-even points. At the present time it is probably operating at a break-even point of below 50% of capacity. Low points by industry have been deliberately fostered by a desire, in part, to hedge against future business declines. They reflect a lack of faith in our economic development.

These four basic business policies have had far-reaching economic and social effects. Two will be considered. First, they tend to aggravate the usual tendencies to over-savings in our society. The forces which disturb our economic balances are strengthened. The basic inequality in income normally favors large savings as the proportion of saved income in our country rises progressively with income. The high price margins established and recurrent large profits resulting from the foregoing business policies accentuate these inequalities and raise our savings out of all proportion to the active demand for capital. These industries are particularly serious threats to a stable economy as extensive exploitation of our national and international resources has become less practicable. New territories; imperialism; rising birth rates and other similar factors generated high profit differentials essential to investment. Now we are forced fundamentally, to intensive domestic

investment. High profit differentials must now arise from major technological changes which render older processes, products and industries obsolete. Unfortunately business is not aggressively pushing technological changes at a rate fast enough to scrap industries at a scale vast enough to absorb our tremendous savings. As a result, the tendencies toward recession are very strong.

True, at present, many areas where competitive prices prevail tend to exploit shortages in an unconscionable manner. Like most of the textile industry, they have carved huge profits and made a financial killing. They are not even being restrained by the more moderate leaders in their groups. Nevertheless, the correction of these price conditions is already in sight in these industries. But there is little hope, short of the pressure from a recession and possibly increased business sagacity such as was reflected by the Ford Manufacturing Co. and the International Harvester Co., that more reasonable prices will be instituted by the vast range of industries where prices are consciously set.

The second effect is that business tries to adjust production rather than price as demand declines. The effect is to accelerate the forces toward recession and depression. This experience is vivid to all of us who recall business behavior during the thirties.

These developments have changed the nature of our price and production problems. But unfortunately the dominant business interests have resisted calling attention to these basic facts. The TNEC hearings and publications presented the situation. But their significance was lost in the hustle and bustle of the war period; the findings were relegated to the academic shelf. Even the professors have done little with them.

Remedial Measures Needed

We are in need of remedial measures quite different from those normally discussed if we are to effect a reorientation of price and production policies to make them more consistent with an economy of full employment.

First, technological advances must be fostered to facilitate economic change and the creation of opportunities for intensive investment. Government aid and leadership in scientific study and compulsory licensing of patents are essential. Savings will have a larger use and be utilized in greater volume. Second, an over-rising wage scale can perform two functions. It will provide higher buying power, possibly absorb a larger proportion of the national income and therefore reduce saving, and set up costs which will invite greater technological changes. Third, price and production policies must be frankly open to public scrutiny and review. They are deliberate and consciously formulated; they have definitive effects; they should be subjected to public examination to appraise their economic effects. Are they contributing to full employment at rising living levels? Are their break-even points too high? Are their production policies restrictive? It would therefore be desirable to provide public panels where specific price and production policies would be examined not from the point of view of monopoly but from the point of view of their economic effects. These panels should include among others, representatives of labor and consumer. Finally, we would urge industry to give attention to the idea of price rebates whenever they find their preliminary forecasts of prices and profits had temporarily netted a higher-than-planned policy. These four policies can aid greatly in reconciling price and production policies with the national interest.

Growing Importance of Durable Consumer Goods

(Continued from page 4)

tween the two wars. There was the typical growth curve, steep in the early years and tapering off as the industry approached maturity. In addition there was the effect of changes in national output or income. Since business cars are included the best measure of the latter influence is the gross national product.

In 1923 registrations lagged behind the rapid increase in gross national product. After 1929 there was a similar lag on the down side. Over the whole period, however, the growth curve plus the changes in gross national product appear to be an adequate explanation of the number of cars in use.

Using this formula, registrations in 1939 should have been 26.3 millions. They were 26.1 millions. In 1940 they should have been 27.4 millions. In 1941 they should have been 29.5 millions.

In 1946 they should be 33 millions. Because many people who wanted cars couldn't get them, the actual registrations last year were only 27.6 millions.

By 1952 a high level of productive employment would call for registrations of 38 millions. More than half of the increase over 1941 would be due simply to the growth in the number of families. The balance would depend on the greatly improved buying power of many of those families plus the more intensive use of automobiles for business as well as personal use.

In comparing that 38 million with the 27.6 million cars registered in 1946, allowance must be made for the fact that many of those cars had been continued in use beyond their normal life because of the impossibility of getting replacements. It is true that the pre-war trend toward longer life was continued if not accelerated during the war. But even on the assumption that the average life of a car is now about 12 years, as against 10 years in 1941, there were five million cars still in use in 1946 which would not have been in use if replacements had been available.

Without those over-age cars, registrations last year were less than 23 millions. Thus, the new production necessary to reach the

38 million by 1952 is about 15 million, over and above the normal replacements over the next several years. Less than half of that demand is the result of the using up of the consumer stock of cars during the war. The balance is split about equally between the growth in families and buying power which has already occurred since 1941 and the further potential growth over the next five years.

Deferred Demand Boom to Be Enormous

The estimate is necessarily rough but it serves to indicate the magnitude of the deferred demand boom. Including the normal replacements of about 2½ million cars per year, the potential demand over the next five years is around 25 to 30 million cars. A five-year output averaging five to six million per year, including only passenger cars for domestic use, is a high figure.

Of course that potential demand depends in part on the maintenance of a high level of productive employment—which in turn is related to the accumulated needs for other goods as well as automobiles. It doesn't mean that many cars will be sold irrespective of the level of national income and output or irrespective of price.

Looking beyond that deferred demand boom the automobile industry faces a serious problem. Even if the total national output is maintained at a near capacity level, it will take less than 3 million new cars per year to provide replacements and normal growth.

No statistical projection can allow for what the automobile industry may be able to do to expand its market. There is also the possibility that, given sustained high incomes plus the availability of new cars—a combination of conditions which has not existed since 1929—jalopies would be scrapped sooner. Nevertheless the burden of proof is clearly on those who care to argue for an indefinite continuation of the high rate of automobile production that will be reached in the next several years.

If the necessary data were available on other consumer durable goods they would present

similar pictures. There would be the backlog of demand resulting in part from the inability to make normal replacements during the war and in part from the desire and ability of consumers to own more than they could before the war. There would be the normal replacement demand varying with the life span of the item. There would be the growth in population plus or minus any increase or decline in the use of these goods.

The conclusions would depend in part on the degree of saturation of particular markets. In general, however, this type of analysis naturally leads to the anticipation of a deferred demand boom followed by a period in which the prospects for maintenance of anything like that high volume appear extremely dubious.

There is another point of view from which the longer-term future looks a little less gloomy. Fortunately the market for durable goods in general offers a more promising future than the market for particular goods. There is no evidence that the consumer has ever run out of ideas as to what he would like to buy with the next dollar.

Percentage of Spending on Durable Goods

The chart shows the percentage of their current incomes which consumers have spent for durable goods over a period of several decades. As you can see there does not appear to be any significant trend. Analysis of that experience, however, does throw some light on the future.

For some time before the first World War durable goods accounted for less than 8% of disposable income after taxes. Up to that time there was no clear-cut evidence that, as the country became richer, a larger segment of income was spent for this purpose.

In the immediate postwar years the ratio was around 10%. The increase might be explained by deferred demands. It was in spite of the 1921 depression.

From 1923 through 1929 the average was over 11%. Since any deficiency of expenditures during the war already had been made

up, there must have been other reasons for the jump from 8 to 11%.

One reason was the high level of residential construction. New houses call for new furniture, furnishings and equipment. Moving into a new neighborhood is likely to renew the competitive process known as "keeping up with the Jones."

Another reason was the development of new durable goods which competed for the consumer's dollar. The outstanding example was the automobile, but there were also the radio, the electric refrigerator and other appliances. In part these were substitutes for other durable goods and in part they were net additions.

Another reason was the consumer's attitude—his willingness to spend. What the economist calls the consumption function was relatively high. This reflected consumer confidence in the future—confidence based on a sustained period of prosperity—what was later referred to rather contemptuously as the "New Era psychology." The stock market boom also encouraged spending even though in reality consumers could not add to their aggregate income by selling securities to each other.

Still another reason was the advent of installment selling. People who did not have the price of a durable good paid for it as they used it. This making it easier to buy was more important than the resulting mortgaging of future income which caused so much apprehension in some quarters.

The Depressed Thirties

In the depressed Thirties the percentage of income spent for durable goods dropped back to the ratio prevailing before the first World War. The surprising thing is not that it declined but that the drop was no greater. The life span of a durable good is rather elastic depending on the finances of the consumer. Having acquired a greatly enhanced inventory of those goods he could afford to postpone replacements temporarily in order to meet other needs out of his depleted income.

The influences making for a high rate of outlays in the Twenties were reversed. Residential construction, with all of its collateral demands, was at a low ebb. The depression offered an unfavorable climate for the development and marketing of new goods. It left consumers as well as businessmen acutely aware of future uncertainties and the need for security.

Even as late as 1940 these depression influences were still felt. There were seven million unemployed. The real income per family was still below 1929. The percentage spent for durable goods had recovered somewhat but was not back to the ratio of the Twenties.

During the war the expenditures dropped to a very low level simply because the goods were not available. Today the percentage of current income spent for durable goods is already close to the previous peak. It would be even higher if the goods were available. In fact it is likely to be substantially higher before the end of this year.

This high ratio reflects accumulated demands, resulting both from the deficiency of wartime outlays and the catching up with the growth in population and buying power. The historical record on this chart, however, does not support the possibility of any such ultimate running out of demand as was indicated by the analysis of the automobile market. Expenditures have declined because income declined or because the goods were not available but not

because all consumer wants had been satisfied.

This does not mean that the ultimate running out of deferred demands is of no consequence. As in the Twenties and again in the Thirties, the attitude of the consumer will be one of the variables determining how well national output and income are maintained. As his most pressing wants are satisfied it will be easier for the consumer to save. He will be a little less eager to spend. This is significant not because of the possibility of any major change in the ratio of expenditure to income but because small changes in the consumption function can contribute to a decline in income.

But if income could be maintained, in spite of the running out of the most pressing demands, there would be no such drop in total expenditures as is suggested by analysis of the automobile market. Outlays for automobiles, or any other item, may drop but aggregate outlays would not decline so drastically. There will always be other wants which are not satisfied, other markets which are not saturated.

Unfortunately none of us has the imagination to visualize at all clearly the potential markets for durable goods which could be opened up by a sustained period of prosperity. Any attempt to anticipate which developments, which new products will be important five years from now is likely to be wrong oftener than it is right.

Forty-five per cent of the durable goods outlays in the twelve years before the war were for house furnishings and equipment. All the signs point to a large volume of new home building over the next few years. Depending on the evolution of prefabrication, or other means of producing a better house for less money, this activity could exceed in importance and duration the housing boom of the Twenties.

Fifteen percent of the outlays were for recreation and sports equipment. The trend toward more leisure time, as well as a higher standard of living, should expand these markets.

A comparatively small part of the total was for primarily labor-saving devices such as clothes washers, dish washers and ironers. Many of these markets are far from saturated. The scarcity and high cost of domestic service puts a premium on such devices.

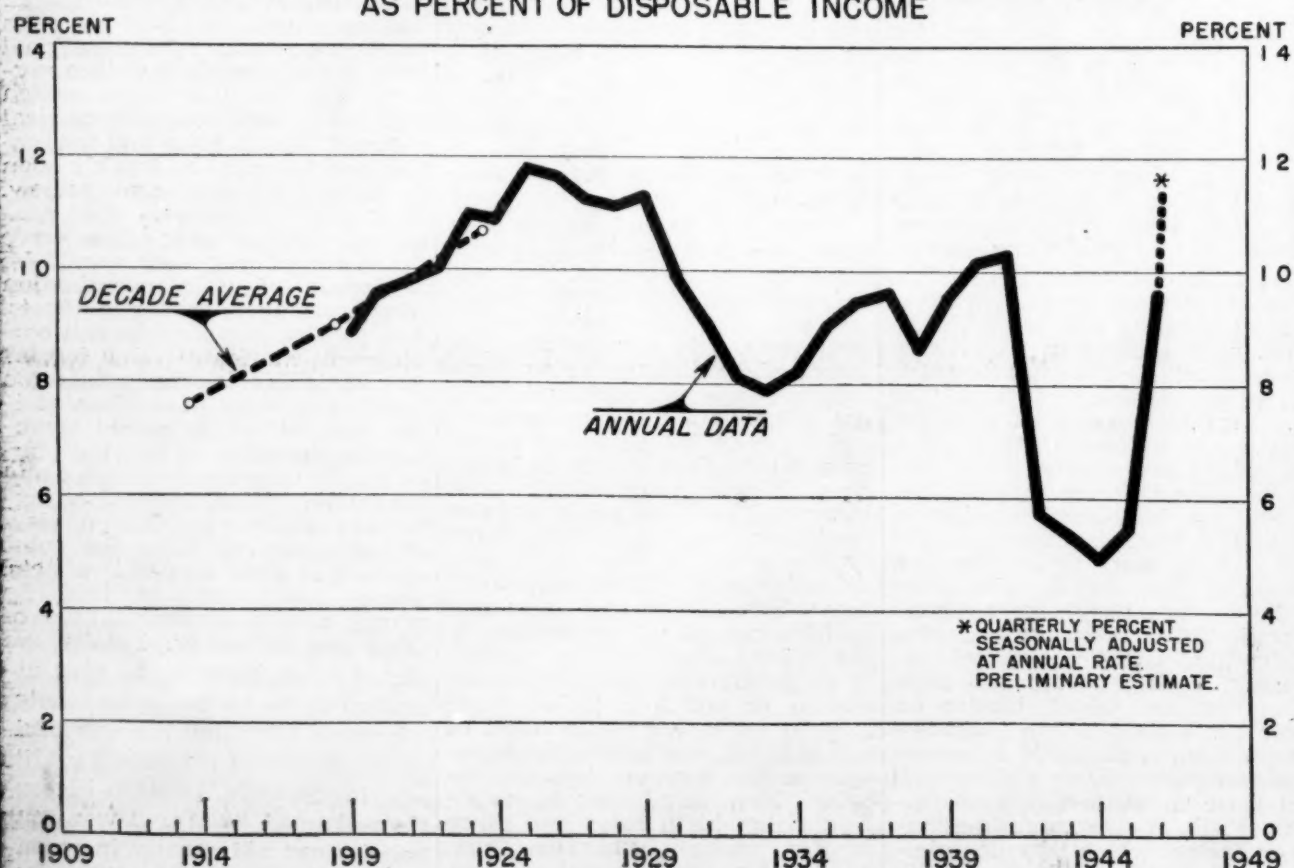
In part the potential is in terms of new products and new markets rather than just more of the same things that were produced before the war. Here any predictions become particularly dangerous. The possibilities can only be illustrated. The market for refrigeration will be supplemented by the market for home freezers. The radio industry can look forward to television.

In brief, the chart involved the circular reasoning so familiar to business analysts. The potential national output is roughly double the 1923 to 1929 average. Out of that output consumers can afford to buy at least twice as many durable goods. Looking beyond the catching up period, this means a vastly increased consumer inventory of such goods, providing a higher standard of living, more comforts and conveniences.

But the market for consumer durable goods is also one of the determinants of the volume of business. For the immediate future there is not much question about that market. The deferred demands and accumulated buying power are taking all that can be produced. Ultimately, however, there will be the problem of maintaining a high level of consumption when the more obvious needs are satisfied.

Analysis of the use and control of consumer credit should be against that background.

CONSUMER EXPENDITURES FOR DURABLE GOODS AS PERCENT OF DISPOSABLE INCOME



SOURCE: U. S. DEPARTMENT OF COMMERCE, NATIONAL BUREAU OF ECONOMIC RESEARCH.

Labor Management Problems in 1947

(Continued from page 8)

membership or activities, the establishment or maintenance of company dominated unions, and refusal to bargain collectively when a majority of the employees have designated a collective bargaining representative. Commission of an unfair labor practice—by an employer does not constitute a crime nor does it subject him to suit at law. But it does make him liable to proceedings before the National Labor Relations Board and, if found guilty of unfair labor practices to an order directing him to desist from these practices and to make whole, as nearly as can be, the persons injured by his unlawful conduct. But it is only after such an order has been confirmed by a Circuit Court of Appeals that the employer is subject to any penalty for disregard of the Board's order.

The National Labor Relations Act became law in July, 1935 but it did not really become operative until April, 1937, when the Supreme Court unanimously held its provisions to be constitutional. In another case decided at the same time a majority of the Court held that the Act applied not only to what had theretofore been considered interstate commerce, but to all industries, other than agriculture, in which interruption by a labor dispute would in a substantial manner interfere with interstate commerce. These decisions were rendered by the Supreme Court before a single appointee of President Roosevelt sat on that Court.

These decisions upholding the Wagner Act and giving it the broadest possible scope were followed immediately by the greatest wave of union organization we have ever known in this country. Since 1937, union membership has increased from less than 5,000,000 to nearly 15,000,000. The great mass production industries were largely organized at this time. In these industries, however, there was but a short experience with collective bargaining when the war came and interrupted normal developments.

Unions Lose Public Favor

During this period, while union membership and union agreements multiplied, the unions lost favor with public opinion. For this, their own conduct was largely to blame, although by no means all unions were responsible. This was the time of the sit-down strikes and of the attainment of control by Communists in a fairly large number of CIO international unions and of more local unions. In the intense organizational drives of the rival federations into which the labor movement had been split, public interests were disregarded and public opinion flouted.

Labor paid dearly for this mistake. Labor excesses were an important factor in bringing on the conservative wing in American politics which has been very pronounced since 1938. One of its major consequences has been the enactment in many states, beginning in 1939, of a new type of labor legislation, restrictive of labor unions and their activities in labor disputes. At the same time there has been an all but complete cessation of new labor legislation of the protective type, which until recently was the only legislation to which the term "labor legislation" was applied. The restrictive laws in the states have been very little enforced. In no state other than Wisconsin was there up to last Summer even a single case in which a union has been proceeded against for unfair labor practices. In Wisconsin there have been many cases against labor unions under its Employment Peace Act, but even there many of the provisions which were designed to hit unions have in practice turned out to be

additional restrictions upon employers. All actions premised upon illegal closed shop agreements have been against employers. This has been true also of the great majority of cases in which a breach on a union agreement has been charged. State experience indicates that labor legislation of the restrictive type is more of an insult than an injury to organized labor. But just as the employers resented having the Wagner Act forced upon them, so the union workers have felt aggrieved by the restrictive state laws. These laws may to some degree have checked the spread of union organization but, unfortunately, they have not brought labor peace. In nearly every state which has a restrictive labor law the governors in their messages of this year have dealt upon the need for further restrictions, while most of the governors in states without such laws reported that their states had been relatively free from labor troubles.

Since the period, from 1937 to 1941, of the greatest spread of unionism and of union excesses which turned public opinion against the unions, we have been through the trying but glorious days of World War II and the disturbing experience since V-J Day.

During World War II this country had relatively little labor trouble. In the nearly four years of our participation in the war, our direct strike losses totaled only 36,900,000 man days—considerably less than one half of 1% of working time in industrial employments. This was not only a much smaller strike loss than in the prewar years, but relative to our number of workers, the smallest wartime strike loss in any English-speaking country. Many strikes occurred in the United States during the war years. In 1944, there were more strikes than in any other year, including even 1946. But with few exceptions, these were "wildcat" strikes involving few men and, typically, they were settled within a few days. Not a single strike occurred during the war which was authorized by an international union then affiliated with either the AFL or the CIO. Independent unions had a somewhat less good record, but only the coal strikes resulted in any serious interference with war production.

Contrary to a wide-spread impression now prevailing, strikes were not prohibited by any law during the War. Nor did we have compulsory arbitration, as this term is usually understood. The National War Labor Board was vested with authority to decide issues in disputes which management and labor did not themselves settle. But its decisions were merely advisory, with plant seizure as the only possible method of enforcement when the Board's orders were not voluntarily accepted. Plant seizures were resorted to in but few cases and sometimes failed to bring about compliance. But the great majority of the Board's decisions were accepted in good faith by both sides, although they often did not like them. In 21,000 labor disputes cases decided by the War Labor Board, there was defiance by unions in less than 50 cases and by employers in less than 300 cases, the great majority of the latter after V-J Day. More important was the fact that even in war time the great majority of employers and unions settled their own difficulties without resort to the government. As was to be expected from the fact that collective bargaining was so new in these industries, this was less true in the mass production industries than in most other industries.

No Strike Pledge

The strike record during war time, which was on the whole very good, was not due to any

legislation or the great wisdom of the National War Labor Board. It is to be attributed to the "No-Strike Pledge," and its faithful observance by the great majority of union leaders and managements. The No-Strike Pledge was a very informal promise of the labor leaders to avoid strikes while the war was in progress and a corollary promise of both management and labor to abide by decisions of the War Labor Board on issues which the parties were unable to settle. The No-Strike Pledge was not kept 100% on either side. It was, however, observed remarkably well on both sides. Typically, labor felt aggrieved because the Board refused to allow as large wage increases as it felt entitled to and as it could have gotten but for the existence of wage controls. On the other side, many managements felt aggrieved because the Board often settled disputes over demands for the closed shop by directing union maintenance of membership during the life of the contract. With few exceptions both sides abided by the Board's decisions. Thanks to the patriotism displayed by them, we got through the trying war period with a minimum of interruption of war production through strikes.

Wartime restraints, however, were productive of much discontent and produced many frictions, which were an important factor in bringing on the serious strikes which plagued this country during the first ten months following V-J Day. Almost as soon as the shooting stopped and at the insistence of both labor and management, the government returned responsibility for the settlement of labor disputes to the parties directly involved. After Aug. 18, 1945, the War Labor Board merely cleaned up its old cases and it went out of existence on Dec. 31, 1945. Wage control was withdrawn except where price increases were sought simultaneously. Labor and management were strictly on their own and, it was hoped, that they would settle their differences through collective bargaining.

Strikes in Mass Production Industries

In many industries they did so, without strikes. But in the mass production industries as well as other establishments where unionism was new very serious strikes developed. From V-J Day through February, 1946, strike losses increased every month. In February they were at a peak of 23,000,000 man days—nearly 4% of working time and three times as great a loss as in the entire year of 1944, the worst year we have ever had for number of strikes. Since February a year ago the trend of strike losses has been downward. It remained very high for three more months. Since early June, 1946 the total of the strike losses has not been so very alarming. Since then we have had only two nation-wide strikes, the maritime strikes of September and October and the second coal strike of John L. Lewis in November. Only in two months of this period was the strike loss as great as 5,000,000 man days, contrasted with above 10,000,000 in each of the first five months of 1946. During the last three months, strike losses have been less than in normal prewar years.

Considering the entire year of 1946, the strike record was by far the worst of any year. Direct strike losses totaled 113,000,000 man-days—three times the combined total of the four war years. There were fewer strikes in this year than in 1945 or several earlier years. But the strikes of 1946 involved more workers and lasted longer. 29 strikes each of which involved more than 10,000 workers accounted for above 75% of the strike loss. These were nearly all in the mass production

industries, plus the coal and maritime strikes. In nearly all of the post V-J Day strikes demands for wage increases were the primary issue. Union security figured as an issue (even as a minor one) in less than 5% of all the strikes, compared with above 50% in the prewar years. Of the 4,700 strikes in 1946, only 19 are recorded as jurisdictional strikes. In very few of them was there even a claim of contract violation. The serious strikes of the postwar period have developed after contracts expired and have concerned disagreements over wage rates.

Each side insists that the other was to blame for these strikes. Very probably, the old adage, that it takes two to make a quarrel is closer to the truth in most cases than to exclusively blame either. A small number of strikes may have been due to Communists within the unions, as the party line changed when Russia was no longer in danger. A much more potent cause was the belief of many workers that wages had been kept down unduly during the war and that profits were so high that very substantial increases could easily be granted. Even more important in this connection was the steady upward climb in the cost of living. On part of management there was an understandable, but unfortunate hesitancy to promptly grant reasonable wage increases that were clearly called for. There was also a feeling that the time was opportune for a showdown with the unions, to regain management rights lost during the war. Both sides had asked for the restoration of free collective bargaining. But to many union leaders that meant, "Give us what we want, or else." And to many managements it meant the right to say "no," without possibility of review by anyone. This may have been free collective bargaining, but clearly was not genuine collective bargaining.

Responsibility for Strikes

Responsibility for the strikes after V-J Day must be shared by the government and the public. The government's policies were uncertain and frequently changed. We had no less than three radically differing wage policies in the first six months following the close of the war. Largely dropping wage controls while retaining price controls was most illogical. The press, by giving undue publicity to strikes, tended to produce a situation in which we always seemed to be in a crisis. As was said at the time by a keen observer: "We could make some progress toward better labor relations, if somebody was not always saying that we are in a crisis, alarming the public and magnifying differences." Public opinion, because hysterical, uninformed, and partisan, was a far less effective force for industrial peace than it could and ought to have been.

There is little in the record of the postwar labor troubles of which any one can be proud. But no good can be served in harping upon past shortcomings. With all of the bad strikes we had in 1946, it was nevertheless the year of the greatest peacetime production we have ever known. The 113,000,000 man-days lost through strikes in this worst year represented only 1½% of all working time and less than half of the loss estimated by the National Safety Council as the cost of industrial accidents in this year. The 4,700 strikes during 1936 are to be compared with a total of above 50,000 union agreements in effect in the United States. There were ten agreements reached without strikes for every strike. Many important industries have had few, if any, strikes since V-J Day. Among them are building construction, textiles, men's and women's clothing, rubber, paper, and shoes. The postwar strikes occurred mainly in industries in

which collective bargaining was new when the war came and in which there was but little collective bargaining during the war. That serious trouble developed in these industries might almost be said to have been natural.

Recent Strike Trend Downward

The best part of the postwar record is that the trend of strikes has been downward now for more than a year. During the last three months strikes have been at a low point. However faulty the government's handling of this problem may have been in the first period following V-J Day, it has become much more sure and consistent in the most recent period. The government's course of action in the railroad strike of last Spring and the coal strike of last Fall could scarcely have been improved upon for vigor and effectiveness. These potentially most serious strikes were settled without any real damage to our economy and without any yielding to the strikers. But the principal credit for the greatly improved strike picture belongs to the managements and to the unions which have worked out compromise settlements without strikes of the troublesome second-round wage increase demands. When these demands were first presented they seemed likely to produce another wave of strikes comparable to that which followed the presentation of the first-round wage increase demands. But in industry after industry compromises have been worked out, representing settlements, without strikes, which are eminently reasonable and fair to both sides. Through this process, it has been possible to make adjustments to the peculiar situation presented in particular plants, avoiding the unfairness of the 18½ cents per hour increase, across the board and in all plants, which finally became the pattern of the first-round wage increases.

Unfortunately, not all industries to date have worked out such reasonable compromise settlements. In the great mass production industries of rubber, automobiles, and steel there is still a serious possibility of bad strikes ere many months. The same holds true for the railroads, the telephone industry, and, as always, coal. When in the steel industry, on expiration of the contracts in January, it was extended by mutual agreement until the end of April, to allow further time for negotiations, this was generally regarded as an assurance that there will be no steel strike this year. Similar action in relation to the Chrysler contract was viewed as an indication that there will be no automobile strike. To date, however, no compromises have been agreed to in either the steel or automobile industries and the rubber workers are due to go on strike within a few days against the four major rubber companies, unless there is a last minute settlement. Such last minute settlements are exceedingly common in labor disputes and the situation is by no means hopeless. The fact that these are the industries in which occurred the greatest of the strikes after V-J Day, however, is not reassuring. Similarly, it must be deemed a cause of concern that to date the employers in steel and automobiles are reported not to have made any counter wage offers. If settlements are effected in the critical industries mentioned, 1947 may well prove one of the best years we have ever had. But the danger of bad strikes in these industries is still very real.

New Legislation Questionable

What Congress does or does not do will have very little influence upon the chances of avoiding this danger. The long time effects of many of the proposals now under consideration in the Congress are debatable. I have opinions about them but do not claim to have

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the answers. That some changes in the present legislation may have value in the development of improved labor relations, I readily concede. To make the obligations of the National Labor Relations Act two-sided, instead of one-sided, is clearly desirable. So is the writing into the law of the employers' freedom of speech which is guaranteed by the constitution. Opposition of the unions to requirements to insure the honest handling of union funds and of democratic procedures within unions, I have long regarded as short-sighted and most unwise. Jurisdictional disputes are so unfair to employers that I favor experimentation with governmental machinery for their settlement. If the power of seizure in labor disputes which threaten our entire economy can be safeguarded so as to prevent the serious threat to the continuance of our system of free enterprise which such power carries with it, authority to that effect may appropriately be given the President. Like everybody else who has spoken on the subject, I favor strengthening of the Conciliation Service and believe that, instead of the reduced appropriations proposed by the House Committee, appropriations for this purpose should be increased. There is still other additional legislation which has some promise of being helpful.

My general view, however, is that satisfactory labor relations cannot be developed by law. I do not see the solution of our labor difficulties in politics and have no faith in increased governmental restrictions and authority in this field. Some new legislation may be helpful to get employers over the feeling which is now so widespread that they are the underdogs and that the law is unfair to them. There is danger, however, that this feeling may be shifted to the workers, with the inevitable consequence that there will be a drive ere long for further restrictions upon management, which will reach fruition on the next swing of the political pendulum. Even as now proposed, many of the restrictions intended to operate against unions are likely to prove further restrictions upon the freedom of action of managements. The final net result of reliance upon legislation to solve labor problems may well be, as Cyrus Ching of the United States Rubber Company has often warned, that both labor and management will be bound hand and foot and that the government will dictate all aspects of labor relations, which is pretty much the same thing as the end of our system of free enterprise. When strikes threaten to stop our entire economy the government needs must act. In such emergencies, the government must act to end these strikes by all means within its power. But I would heed the Maxim of Disraeli, "Never expose the impotence of democratic government." I would reserve governmental intervention, going beyond mediation and voluntary arbitration, to real emergencies and not dull the effectiveness of what the government needs must do in crises by too frequent use.

Tests of New Legislation

Good tests of sound new legislation at this time seem to me to be these: Clearly every change in the present law which puts labor in a less favorable position than it was before the Wagner Act was enacted needs to be most carefully scrutinized and generally should be avoided. It is manifestly unfair to impose restrictions upon labor unions which do not apply to corporations, which represents combinations of capital intrinsically much the same as labor organizations. Further shifts of authority from the states to the

national government should be reviewed with suspicion. That is why I have said nothing about Federal legislation against acts of violence and such clearly unlawful conduct as mass picketing. Such conduct is unlawful in every state and I believe that we can get effective law enforcement only if public opinion insists upon local and state officials doing their sworn duty, to impartially and vigorously enforce the law during labor disputes, as well as at other times.

Prospects of Industrial Peace

But all this represents something of a departure from the principal subject I am discussing, the prospects for industrial peace in 1947. Whatever may be the long time effects of what Congress may do by way of additional labor relations legislation, it is quite clear that it can have only indirect effects upon the disputes which may result in strikes within the next few months. It is very doubtful whether Congress will act by the time many of these disputes reach the critical stage. Even more important is the fact that the legislation Congress is likely to pass is concerned with issues and matters other than those involved in the pending disputes. The issues in these disputes center around wage demands, not the closed shop, industry-wide bargaining, jurisdictional disputes, or the unionization of foremen. Prohibiting the closed shop in the industries in which it now exists, in most of which there have been few strikes, will not lessen the danger of strikes in the near future in the rubber, steel, automobile, and telephone industries in which the closed shop is almost unknown. Similarly, the demand for the prohibition of industry-wide bargaining comes not from industries which are now bargaining on that basis but from industries which have never had industry-wide bargaining and in which it is not now a major issue.

Conversely, I also do not believe that what Congress may do by way of additional labor relations legislation will have the effect of bringing on another strike wave, as some of the opponents of this legislation are predicting. Should the downward trend of strikes be reversed after Congress acts, it is inevitable that the proponents and supporters of the legislation will be charged with this result. But even in that event, the true causes of the strikes are likely to be much more deep seated than any legislation that Congress may pass.

Major strikes are long in the industries in which there was so much trouble last year, it seems to me, will be avoided only if labor and management in these industries arrive at compromise settlements, particularly upon the central issue of wages. Neither labor or management is a push-over in these industries, and neither is it at all likely to yield its present position completely. Even if compulsory arbitration were instituted, the final determination is almost certain to be a compromise. The real question is whether such a compromise can be worked out by the parties or must be dictated by government. This presents a test for collective bargaining—whether collective bargaining can be made to work in these industries in which it is still very new.

Making collective bargaining work in such a way that it will preserve industrial peace is not any easy matter. As the bad experience in some industries, notably coal, in which there long has been collective bargaining, illustrates, collective bargaining is not a guarantee against strikes. But world experience, I believe, has demonstrated that the best hope for industrial peace lies in agreement between labor and management.

Collective bargaining involves more than negotiation or even the conclusion of union agreements. It involves the parties learning to live together and making adjustments to their mutual advantage. This is something that the government cannot do for them—something which law, at the most, can encourage but of itself never accomplish.

Developing genuine collective bargaining in industries in which it has not heretofore prevailed is not an easy matter. Management, unaccustomed to dealing with unions, will be alarmed about encroachments upon management rights. Union leaders who have thought and talked of management as if it had horns will find it difficult to reverse themselves.

Outsiders can only make suggestions which labor and management, earnestly seeking to get along with each other, may find helpful. One such suggestion is the old French saying: "When the other fellow acts unreasonably, look inward." But the inward look must be more than a look of self righteousness. Rather it needs to be, as Charles Luckman has said, a look of "humility" without which "there is no hope that either side will bring to the bargaining table those qualities of sanity, moderation, and tolerance which are indispensable for the survival of democracy in industry."

Sympathetic Understanding of Parties

Besides such an inward look of humility, there is needed for improvement in labor relations, a sympathetic understanding of the problems of the other fellow. There is today and has long been a wide gap between the thinking of labor and management. Unfortunately, we even lack appreciation of the fact that there is such a pronounced difference in basic patterns of thought. Many managements do not understand unions and all too often do not try to understand them. On the part of the many unions and their leaders there is very inadequate appreciation of the problems facing management and all too often indifference as to how union policies may affect the survival of a company or industry.

It is false, as asserted by the Communists, that the interests of labor and capital are completely antagonistic and irreconcilable. It is also false, as often stated by management partisans, that the interest of the workers, the stockholders, and management are in all respects identical. Labor and management have common interests in everything that pertains to production. But their interests are not identical on questions concerning the distribution of the joint product. Quarrels over the distribution of production are as old as is production itself. These quarrels will not be adjusted solely by preaching identity of interests. But neither is their hope of peace in class warfare or its constant preaching.

It is frank recognition both of common and divergent interests that there lies hope for reconciliation. Prof. E. Wight Bakke, Director of the Labor-Management Center of Yale University, sees the principle of "mutual survival" as the key to the development of satisfactory relations between managements and unions. Unions will be militant and unreasonable so long as they believe that the employers are seeking to undermine them. Managements will fight unions to the death so long as they believe that the unions are seeking to overthrow the system of free enterprise which has made our economy the strongest ever developed.

Managements need to get over their longing for the "good old days" when there were no unions. When managements seek to de-

stroy unions, they are certain to bring to the top the rabble rousers and the most extreme elements among the union men. Giving status and security to the union is not a guarantee of no further labor trouble but a *sine qua non* in getting along with union.

On the part of labor, a first essential is to convince management and the public that the unions are not revolutionary and do not seek to destroy the American way of life. Unions cannot expect management to deal other than in a spirit of hostility with them, so long as their leaders and their publications are constantly vilifying management and stirring up grievances and magnifying them. The prosperity of the workers is dependent upon the prosperity of the company, even though large profits are not a certain guarantee of high wages. And the rights of workers as human beings, democracy in the shop, can be attained and safeguarded without destroying the rights of management and its ability to successfully conduct the enterprise.

Caution Against Extremists

Both labor and management need to cease taking the advice of the extremists in their ranks. It just does not make sense to follow the leadership of industrialists who have made a mess of their labor-relations and to reject the advice of other industrialists who get along well with unions. On the part of unions, it is high time that they realize that responsibility goes with power. Unions must recognize that they have grown up and act accordingly. On the part of both labor and management, there must be, not merely free, but genuine, collective bargaining—an attitude of tolerance and understanding, an earnest desire to make collective bargaining work, a willingness to explore possibilities for adjustment with an open mind and to make accommodations enabling the other fellow to live and function in accordance with the basic concepts of our American democracy and of our American system of free enterprise.

Responsibilities of Public as Neutrals

While expressing my views on what labor and management can do to improve labor relations, I do not want to overlook the responsibility of those of us who are neutrals. We have talked a lot about the rights of the public, but very little about the duties of the public. But in our legal system, every right carries with it a corresponding duty and that applies to the public as well as to the parties directly involved in labor controversies.

A first duty of all neutrals is to be truly neutral. That is impossible if we form judgments on insufficient information and align ourselves with one party or the other, as we are prone to do. It is only when we are certain of all the facts that we can have an intelligent opinion or in any manner contribute to the settlement of a controversy. Generally, neutrals not in official positions can do but little directly towards settling labor disputes. But informed public opinion is a very potent force and can contribute a great deal toward improved labor relations.

The government, as the representatives of the entire public, has important responsibilities in the development of improved labor relations. It is its responsibility to establish minimum standards for the protection of the weak and the unorganized. In all the discussion of new labor legislation, the fact that much of our legislation for the protection of the children in industry and of the lowest paid and weakest of our adults has become meaningless, has been entirely overlooked. Protecting the employer against unreasonable portal-to-portal pay suits is a legitimate amendment

to the Fair Labor Standards Act but clearly the present standard of 40 cents per hour in employments in interstate commerce also needs to be changed.

Government can make an important contribution to the improvement of collective bargaining by making available to the parties the latest relevant data. It can do much toward the peaceful settlement of labor disputes by way of impartial mediation and arbitration—and I note here that the Advisory Labor-Management Committee has extended deserved praise for recent improvements in the organization and functioning of the United States Conciliation Service. The government also has the responsibility for maintaining law and order in strikes, which in our governmental system is an executive duty and primarily a state function. When great emergencies arise the government, as I have suggested, must go beyond such measures and, through the exercise of all its powers and with the support of public opinion, end strikes which are really a serious menace to our entire economy.

This program assigns a very important role to government in relation to labor disputes. But it leaves the major responsibility, where it should be, upon labor and management. Governmental determination of labor relations problems represents a departure from our American ideal of self government in industry. In some situations it is necessary, but all of us, I feel sure, much prefer adjustment through the democratic processes of collective bargaining.

Collective bargaining has worked reasonably well in many industries even during the early months of the postwar period, when there were so many great strikes. It did not function in other industries, but in most of these industries there had been little experience with the institution. We cannot be sure that these industries will be able to make collective bargaining work in the public interest as it has in so many other industries. But I see no cause for despair. I believe that if left alone, labor and management in these industries will be able to solve their own problems, with the minimum of governmental intervention we all desire.

John W. Clarke Has Resumed in Chicago

CHICAGO, ILL.—After four years in the Army and the Department of State in Washington, John W. Clarke,



Lt. Col. J. W. Clarke

President of John W. Clarke, Inc., announces the resumption of the firm's investment banking business on April 1. The firm has moved back into its pre-war quarters in the Field Building, Chicago, and will continue to specialize in underwritings, particularly public revenue bond financing.

During Mr. Clarke's service in the Army, he served with Fifth Army in Africa and Italy in military government work. In the State Department he was in charge of the liquidation of surplus in six countries, including Canada.

With Fabian & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—James B. Blair has been added to the staff of Fabian & Company, 9500 Santa Monica Boulevard.

Should Have No Fear of National Debt

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tional debt because the nation includes the individuals to whom the debt is owed. To count only the obligations and to disregard the creditors is no more reasonable than to do the opposite and count the ownership of government bonds while disregarding the obligations of the government. That would lead to the more unusual but no more erroneous notion that national debt enriches the nation!

The phrase "we owe it to ourselves" is frequently repeated nowadays in mocking tones by those who point out that the "we" does not consist of the same people as the "ourselves." This is true. We must not ignore the effects of national debt on the distribution of wealth between different members of the nation. But we must not let these voices distract us from the first thing we must do if we are to deal intelligently with this as with other real effects of national debt. The first thing is still to get rid of the false idea that national debt is a subtraction from national wealth in the same way as private debt is a subtraction from a private individual's wealth.

Internal and External Debt

If an individual wants to repay debt he must make a cut in his consumption (or investment). There is a real sacrifice. But the repayment of national debt does not destroy any productive machinery or labor power so that no real sacrifice is involved. This is just because we owe the national debt to ourselves.

That national debt can be repaid without any real sacrifice will not appear so surprising if it is borne in mind that incurring national debt does not have the benefits in the first place that private borrowing has. An individual who incurs private debt by borrowing from others can consume more than he is producing. He has a temporary increase in his consumption possibilities when he borrows and conversely he has to pull in his belt when he repays. The nation does not have to pull in its belt when it repays a national debt to its own citizens because it is unable to let out its belt when it borrows.

International and Interpersonal Debt

This harmlessness-cum-impotence is not true of borrowing by a nation from other nations. International borrowing is really analogous to private or interpersonal borrowing because, like interpersonal borrowing, it is from others. The borrowing does increase available consumption, the debt does indicate a measure of poverty or subtraction from national wealth, and the repayment of the debt is a real burden that involves a decrease in available consumption. But the national debt of the United States does not consist of obligations to other nations and so the analogy with interpersonal debt does not hold. International debt, like interpersonal debt, if allowed to grow too big, may indeed be compared to a man-eating tiger. But internally held national debt has no such potency either in borrowing or in repayment. It is another kind of animal, a tabby cat whose greatest danger lies in the panic that may arise from its being mistaken for a tiger.

The Interest Burden

Many people who recognize the difference between internal debt which we owe to ourselves and external debt which is owed to others, are nevertheless intensely concerned about the burden of interest payments on the national debt. They have made careful studies of the possible growth of these interest payments in relation to the national income, and shown that even if the government keeps on incurring more and more debt

(which may possibly be necessary to keep the total rate of money demand in the economy from falling to depression levels) the interest payments would not increase in proportion to the national income. The national income is likely to grow faster. (Indeed it is only if the fear of debt scares the government into failing to maintain prosperity that the interest payments are likely to grow in proportion to the shrunken national income.)

Although such calculations are interesting they are useful only to allay the fears of those who think of the interest payments as if they were paid to others—like the interest on interpersonal or international debt—even though they can see through the confusion in the case of the national debt itself. But the interest payments, like the debt itself, also stay within the nation and do not impoverish it any more than they enrich it.

This peculiar half-confusion, which logically is even less defensible than the complete acceptance of the analogy with interpersonal debt, seems to be based on the feeling, especially difficult to dispel, that while it is undesirable to get into debt it is doubly deplorable to borrow money to pay interest on past debt.

If it were really impermissible to do this the interest money would have to be raised by taxation and the taxes might be very burdensome. But since it is possible to borrow to pay interest, taxes need never be imposed if they would do harm. They should be imposed only if there is some other good reason for them quite apart from the need for money by the government to pay the interest.

At this point we must observe a silent development of the utmost importance. In eliminating the imaginary evils that are conjured up by the improper treatment of national debt as if it were owed to others we have completely destroyed the basis for "sound finance." We can no longer have any respect for the precept, which is appropriate for external debt but irrelevant for internal debt, that we should always try to avoid it. Once the irrelevance of the analogy is uncovered there is no reason left for the precept. With this basic financial precept gone we need some other criterion to take its place as a guide to public financial policy.

"Functional Finance"

The new criterion is ready to hand. It prescribes such a regulation of government spending in relation to its taxing that the resultant total rate of spending in the economy, public plus private spending, will be maintained at the level necessary for prosperity. A higher rate of spending must be avoided because it would result in inflation and a lower rate of spending must be avoided because it would result in depression. It was primarily because this prosperity could not be maintained by the old rule that the new rule had to be worked out. The theory of it was first completed by the late Lord Keynes. The new rule is called *Functional Finance* because, by freeing our financial policy from the budget-balancing tradition (which is based on nothing but the great false analogy) it sets our financial machinery free to serve the basic function of maintaining prosperity.

The True Burden of National Debt

We can now turn from the imaginary to the real burden of national debt. If there is a large debt a great deal of interest will be paid on it. The recipients of the interest payments will spend a large part of them. If there is already the required total rate of spending in the economy this extra spending will have to be off-

set if excessive spending and inflation are to be avoided. This generally means more taxes. It is in these extra taxes that the evil is to be found.

The taxes themselves do not directly impoverish the nation. Even they do not constitute a subtraction from the amount of goods available for the people to consume. They merely prevent higher prices being paid for the same goods in inflation. The evil lies only in the possibility that the additional taxes may be bad taxes. They may aggravate the inequality of distribution by taxing the poor while the rich are getting richer from the receipts of the interest payments on government debt. They may be taxes which interfere with the proper working of the economy, stifling enterprise and initiative. They may be taxes which are avoided and result in illegality and black markets. They may be bad in many ways.

The obvious answer is to have taxes which would improve the distribution of wealth rather than worsen it and which would help rather than hinder the working of the economic mechanism—in a word, to have good taxes and not bad taxes. But this is not easy. When all the good taxes which are desirable on their own account have already been imposed, still more taxes might be needed to offset the inflationary effects of the interest payments on the national debt, and then it would be desirable to have even bad taxes provided they were not worse than inflation. And a tax has to be very bad indeed to be worse than inflation.

So we have this dilemma. After the postwar boom it may be necessary for the government to keep on spending more than it collects in taxes in order to prevent depression. If it borrows the extra money this will increase the national debt. The increase in national debt will increase the interest payments and these will increase the spending by those who receive them. As these expenditures keep on growing, the government will have to increase its taxes in order to prevent excessive spending and inflation, and additional taxes may have bad effects. We must either suffer unemployment or else be prepared to endure the bad effects of such taxes in the future.

The Evils of Prosperity

As between these two horns of the dilemma there can be no doubt that the damage from unemployment is very many times greater than the possible harm from such contingent future taxes. But even these ill effects are not really attributable to the growth of national debt. They are rather the effect of prosperity in a capitalistic economy, whether this prosperity is brought about by a policy which involves a great national debt or whether prosperity comes about in any other way.

The maintenance of prosperity involves a growing national debt only to the degree that there is insufficient private investment and the gap is filled by government deficits. Prosperity without government deficits is possible only if private investment is great enough to prevent this gap from appearing. If private investment should be great enough the growth of national debt would be avoided but in its place there would be an equal growth of private debt. In place of the increase in the ownership of government bonds there would be an increase in the ownership of shares in the private businesses and corporations which undertake this investment. In place of the interest payments on national debt there would be dividend payments on these shares. In place of increased spending out of the interest payments there would be increased spending out

of the dividend payments. We would have exactly the same problem. More taxes would be needed to prevent inflation, and there would be exactly the same contingent evils from the bad effects of bad taxes. The evil would even be larger because the rate of dividend payments is greater than the rate of interest on government debt so that the inflationary pressure would also be greater and a greater increase in the possibly harmful taxes would be necessary. A growth of national debt would have been less harmful!

This is the true nature of the so-called evil from national debt. It is really a result of the accumulation of private wealth that occurs if we have continued prosperity in a capitalist society, and in fact the evil is slightly less if the prosperity is brought about by measures involving the growth of national debt than if it is brought about by sufficient private investment. *The evil can be avoided only by avoiding prosperity.* The explicit spelling out of this as the alternative should be sufficient to rule it out from serious consideration.

Perhaps the greatest of the fears that people have about the national debt (second only to those associated with the false analogy with private debt) is the fear that it will bring inflation. We have seen that inflation comes about only if the total rate of spending is too great and that Functional Finance avoids this and prevents inflation no matter what it may do to the national debt. In fact, it is only because of measures to prevent inflation that we had to be concerned about the evils from bad taxes.

The Political Problem

But it is also argued that if we freely permit national debt to grow, giving up the restraints of "sound finance" we will not be able to overcome political resistance to the taxes which may become necessary for the prevention of inflation.

This argument amounts to saying that we must retain the old "sound finance" rule although it is based only a false analogy, and cannot accept the Functional Finance rule in spite of its being based on reason, because the first rule is more easily enforced.

The obvious rejoinder is that there is no sense in applying the wrong rule only because it is easier to apply. But the more important point is that the argument is false. The old rule has lost a great deal of its traditional hold ever since it was observed that in spite of the most terrifying warnings the world did not come to an end when we passed the \$47 billion national debt limit or even when we passed the revised \$55 billion limit. With the tremendous increase in national debt during the war, and with no observable catastrophes following from it, the irrational sanctions of tradition have lost much more of their force.

On the other hand, the true nature of inflation is becoming somewhat clearer to all. Pressures by particular interests against such taxes, or governmental economies, as are really necessary to prevent inflation can be countered by showing the real harm that would result from submission to the pressures. The interests of those who would be harmed by the inflation can be mobilized against the special interests that would gain from it.

If our democratic society is to live, it will not be by embracing defeatism and habitually conceding victory to the irrational. Democracy can live only by faith in the tendency of truth to outlive error and of reason to conquer tradition. Reason teaches us that the greatest dangers lie not in the possible growth of national debt itself but in the foolish policies that can arise from an irrational fear of it.

First Boston Offers New England Gas & El. Association Stocks

The First Boston Corp. headed an investment banking group which offered to the public April 2 77,625 shares of New England Gas & Electric Association 4½% cumulative convertible preferred shares of beneficial interest, par value \$100, at \$103 per share and accrued dividends. The same group is underwriting an offering of 479,235 common shares being made by the Association to the holders of its old preferred stock under rights expiring April 16, 1947. The offering under rights is at \$9 per share. No offering by the underwriters is expected before the end of the subscription period.

The financing is being undertaken pursuant to the Association's alternate plan of recapitalization, as approved by the Securities and Exchange Commission on Feb. 11 and by the United States District Court for the district of Massachusetts on March 10. The plan provides for the elimination of all existing debentures, and preferred and common shares.

Proceeds from the sale of the new preferred and common, together with funds from the sale of \$22,425,000 of 20-year 2¾% collateral trust sinking fund bonds, series A, (which the Association has agreed to sell to the John Hancock Mutual Life Insurance Co., of Boston, following the latter's bid on March 31 of 100.05 plus accrued interest) and necessary additional cash from the Association's general funds, will be applied to the retirement, at par and accrued interest, on April 15, 1947 (with prepayment available on and after April 10) of all outstanding 5% convertible debenture bonds in the following amounts: \$13,206,000 due Sept. 1, 1947; \$4,747,000 due Dec. 1, 1948; \$16,051,000 due May 1, 1950; and \$790,800 due Jan. 15, 1962. The Association also will retire, at the same price, \$203,700 of its 6% debentures due Nov. 1, 2031.

Under the plan, a total of 1,246,011 new common shares are being issued at this time. Each present \$5.50 preferred shareholder will receive eight shares of new common for each share of preferred held and, in addition, will receive transferable rights to subscribe for five additional new shares of common at \$9 per share. In addition, common shares equivalent to the number of those unsubscribed on transferable rights, if any, will be available for subscription by holders of \$5.50 preferred up to 20 shares of new common for each share of preferred held.

As part of the plan there will be terminated all litigation pending between the Association, Utilities Investing Trust and various corporations and interests which are part of or are affiliated with the former Associated Gas and Electric System. The claims against the Association will be settled by payment of \$1,944,550 to Utilities Investing Trust and the trustee of the Estate of Associated Gas & Electric Corp., the former receiving 75% of the total and the balance going to the latter. Upon payment of this sum, all of the presently outstanding shares of \$7 cumulative second preferred and common shares, which are now held by Utilities Investing Trust, will be canceled.

Heilman With Mason Bros.

(Special to THE FINANCIAL CHRONICLE)
OAKLAND, CALIF. — Charles E. Heilman has been added to the staff of Mason Bros., Central Bank Building, members of the San Francisco Stock Exchange.

Looking Ahead in Casualty Insurance

(Continued from page 9)

National income almost \$100,000,000,000 greater than that of 1929, I could believe that these figures are certainly on the conservative side—perhaps even no longer to be relied upon.

If we recall that it was only about ten years ago that Financial Responsibility laws began to make their appearance in the several states and that now these laws have been passed in thirty-seven states, including the District of Columbia, we can readily see why automobile liability and property damage premiums have increased. Ten years ago, it was estimated that only one automobile in three was insured for liability and property damage, whereas the number of automobiles now insured runs, in some jurisdictions, as high as nine out of ten. With these laws now in effect and with the potential increase in the number of motor vehicle units contemplated, there seems to me to be indicated a tremendous increase in premiums for both company and agent.

Trend of Premiums

There is one other factor which seems to me should be taken into account and that is the trend which premiums on automobile public liability and property damage will take. Because of gasoline rationing and the restricted use of automobiles, premium rates were arbitrarily cut during the war and have only now begun to be increased. The greatly increased use of cars has resulted in a mounting accident rate, despite the efforts of safety campaigns. I anticipate that, at least for a few years, this condition will continue, necessitating further rate increases to offset the adverse loss experience; and, while the companies will be faced with underwriting losses, the premium income will steadily increase, resulting in increased business for the companies and increased profit for the agents.

Let us now look for a minute at the record of the workmen's compensation line. It can be said that there was no great development in this business in the years immediately prior to World War II and that rates and forms became greatly standardized and uniform. We do know, however, that industrial activity, employment and wages are major factors in the production of workmen's compensation premiums. As workmen's compensation rates are usually based upon payroll, we know that, as payrolls increase, premiums likewise go up.

Workmen's Compensation Insurance

Let us consider what the future of workmen's compensation insurance may be. It is common knowledge that wages today are far greater than they were just five years ago but few of us realize how much. For instance, according to the United States Bureau of Labor Statistics, the average weekly wage for the period 1936 to 1939 was \$23. According to this same source, the figure for the year 1942 was \$42.57 per week, which is an increase of 85%. Despite the fact that, in 1942, wages were supposedly frozen in most industries, the average weekly wage in 1945 was \$44.35, a further increase of 4%. This was due primarily to the fact that longer hours were worked, thereby invoking the use of overtime scales. With the end of the war the number of hours in the work week were reduced, resulting in a reduction in the average weekly wage. However, because of the almost blanket wage increase of 18½% which occurred in 1946, the estimated average weekly wage for 1946 will be approximately the same as 1945, or \$45.00 per week.

Now then, what effect has this

had upon the national income? The record shows the following:

1920	\$65,928,000,000
1930	68,858,000,000
1940	77,574,000,000
1945	161,000,000,000
1946	164,000,000,000

The estimated figure for 1946 is a distinct surprise as it was expected that 1945 would show a large drop from the war time high of 1945 and probably would not exceed \$130,000,000,000.

Many prophecies are heard that a depression will occur during 1947 which will result in a decreased national income but I cannot agree with this view. In my opinion, the only thing which will cause a recession is a long-continued period of labor-management strife such as we had in 1946. This I do not anticipate as I feel that the leaders of labor have analyzed pretty carefully the 1946 elections and are prudently softening their demands to remove from Congress the urge to pass punitive labor legislation. I am hopeful that, with this pressure reduced, a sound, sensible and workable law will emerge which will correct obvious abuses while preserving for labor its legitimate gains. With harmony existing between labor and management, we should go forward into an era of increased production and an increased standard of living which should continue for at least a decade.

The conditions which make possible a favorable prediction for the future of automobile and workmen's compensation lines are the same on which to base any estimate of the future in the other classifications of the business. I am particularly impressed with the possibility for development in the classification which we call "other liability" or "miscellaneous liability." In ten years this classification has grown from \$65,232,171 to \$116,514,000 and there is still a tremendous unsold market. Many companies and agents have not given this line the attention which it deserves. I have only to quote from a survey by Elmo Roper, made this year, to prove this point. This survey shows that 93% of all the people do not carry residence liability. This survey further shows the very great potential which exists for burglary and accident insurance and the figures on these are 84% and 72% respectively.

Aviation Insurance

Although it seems to me that there is a fine future for all classifications as we know them today, I cannot see any new line on the horizon whose potential can equal the development in either workmen's compensation insurance or automobile insurance. Many feel that the aviation line will be the one to do this and there is no question that it will produce a sizable volume of new premiums for the industry. The highest premium volume ever reached by this line was in 1941 when the figures stood at approximately \$11,000,000 but, because of the war, this line suffered a considerable reduction in volume. My own company believes so firmly in the future of this classification that it has set up a special department to handle it. This is for the purpose of providing our agents with a facility which will enable them to become familiar with the line and to reap the benefits of its growth.

It is my belief that there will be great development in commercial airlines and their feeders. I also see a great future for air express and freight. Planes will also be employed for charter service, crop dusting and other commercial uses. I am convinced, however, that there are still obstacles to be overcome before a private passenger plane becomes as necessary or as useful as a private automobile. Barring radical

changes in aircraft construction as we know it today, the difficulties to be overcome in this line would seem to be: (1) the major obstacle of the weather, (2) speed necessary for flying, (3) inadequate human reactions to conditions and (4) potential congestion.

Ultimately these obstacles will be overcome and, probably in the light of American know-how, sooner than we think. Manufacturers of planes have been optimistic in their predictions and I have seen some figures which indicate that, within the next ten years, there will be at least 250,000 actively flying civilian planes of all types. If their predictions are borne out, it would indicate a premium volume well in excess of \$100,000,000. No agent, therefore, despite the present outlook, can ignore this line and its potential, although my personal feeling is that the automobile will reign supreme in transportation involving one hundred miles or less.

From the foregoing it would appear that the future of casualty insurance is bright and that there will be greatly increased production in all lines. It is not too much to expect that stock casualty premiums will pass the \$1,500,000,000 mark within a very short time.

Public Law 15

So far we have considered only the economic factors which affect our business and which should continue to have a beneficial effect on it in the future. However, there are factors other than economic which may greatly influence these trends. One of these is the situation created by the passage of Public Law 15 and the fact that most state legislatures will have for consideration this year rating bills designed to preserve the regulation and taxation of insurance to the states. You have all heard many speeches and have read many pamphlets about these bills and it is not my purpose in this address to attempt a discussion of them. Still, I cannot discuss the future of casualty insurance without some reference to their possible effect upon the industry.

There will be plenty of casualty business to be written in the future—enough for all to share and for all to make a satisfactory profit. But is this our only concern? What about the people who will buy all this insurance—pay all these premiums? How will the industry serve them? Will we return to our position of 30 or 40 years ago when we said to our clients, "Here's the policy we think you should have. Don't argue about it or the rate—take it or leave it." Or will we follow the trend started some years ago of fitting insurance coverage to the client's needs? The year 1947 will provide the answer to this question.

When the 79th Congress, by the passage of Public Law 15, gave to the respective states the right to regulate and tax insurance, it gave them very broad powers. With the exception of acts or agreements of boycott, coercion or intimidation, the various anti-trust acts shall apply only to the extent that the business of insurance "is not regulated by state law."

In the days immediately following the passage of Public Law 15, it was generally believed in the industry that only the most rigid state regulation would remove the business from the threat of prosecution under the anti-trust laws. As time passed and the subject was studied more and more thoroughly, the industry split into two camps. One group feels that the first view was the correct one and the other group considers that, provided the law contains provisions for the licensing and regulation of rating organizations, for membership in such organizations and for the filing of rates by such organizations on behalf of their

subscribers, then (inasmuch as these activities are covered by state law) it does not permit intervention by the federal authorities. Doubtless this is an oversimplification of the situation but my description is sufficient to identify the two groups to which Supt. Dineen of New York referred in his address, "The Battle of the Bills," at Pittsburgh last month. The trade press, currently reporting the activities before the various state legislatures, clearly reveals the schism existing between these two groups. One of these viewpoints will prevail and all should consider carefully which will provide the best market for this great increase in premiums which I have predicted. Agents should consider which view will best:

1. Enable the public to fill every reasonable insurance need.
2. Encourage the development of new, broader and simpler forms of coverage.
3. Permit healthy competition with an opportunity for reductions in rates where justified.
4. Permit authorized activity at home and abroad to enable insurers not only to supply domestic needs but to protect American assureds in their struggle for world markets.
5. Provide restraints to prohibit sinister self-interests from throttling competition or stifling initiative.

Mr. Wendell Berge, Assistant United States Attorney General, has declared that, "Private initiative is allowed a wide latitude for venture with new ideas, new processes and new products. The right to venture implies the risk of loss as well as the opportunity to succeed. . . . Risk and uncertainty are the price we pay for the right to exercise our talents freely. . . . There are businessmen who, although professing belief in a free enterprise system, actually do not want one. These men want to eliminate risk from the market by private restrictive agreements which guarantee them against the discomforts of competition. . . . They want to suppress new products and processes which will render obsolete and supersede the old. . . . But the power of any group must not be perverted to serve selfish or special interests to the detriment of the broad social or economic order. They must not further monopolistic practices or restrict the freedom of the channels of commerce. Social responsibility is a necessary characteristic of group activity."

Free Market in Insurance

Following the thoughts propounded by Mr. Berge, it would appear reasonable to accept the premise that the policyholders' interests are best met by a free market which offers reasonable competition. In such a market the policyholder can purchase insurance at rates suited to the requirements of the risk offered. In such a market constant innovation and improvement of policy forms will provide the buyer with contracts which are always up to date and broad enough for his requirements. Under reasonable competitive conditions, the insurance producer remains free to negotiate in respect to the insurance requirements of his clients. New risks, new processes, and unorthodox risks can all be handled promptly in the regular course of business.

Does the All-Industry bill supported by the group believing in rigid regulation by the states meet the foregoing objectives? In theory, it may, but in practice, it has been found that it is subject to interpretation and administration which throttles competition and kills initiative. Further, by imposing upon the insurance commissioner the wholly impracticable duty of reviewing and approving thousands upon thousands of rates and classifications within a brief period of fifteen days, or

at most thirty days, it would substitute bureaucracy for the combined skill and resources of insurance companies and producers.

For instance, we recently had a risk submitted to us requesting insurance to cover as follows: A newspaper desired to offer a reward to the first individual or group responsible for a successful flight to the moon and return. They desired insurance in the amount of \$50,000 to cover the payment of a reward in like amount, to cover for ten years from the present date. Well-trained, private underwriters are fully qualified to accept or decline such a piece of business and to quote a rate thereon, but if such a piece of business were submitted to an insurance department under a restrictive rate law, I sincerely doubt whether a proper rate would be forthcoming in anything like a reasonable period. I, therefore, believe that the view of the group supporting state laws which provide a minimum of regulation consistent with Public Law 15 is the proper one and, unless this view prevails, it may have a serious effect upon the future of casualty production for insurance agents.

There is another question confronting the insurance industry which also may have an important effect upon the industry as a whole and, therefore, upon the casualty business. This question has arisen because of the overlapping of powers granted to casualty and fire insurance companies by various state legislatures.

Overlapping Coverages

You will all recall, I am sure, the conflict which arose in connection with the personal property floater until the New York Insurance Department took cognizance of the matter and, in cooperation with other states and committees of fire, casualty and marine underwriters, made a study of prevailing conditions. As a result there was brought forth the so-called Nation-wide Definition of Marine Insurance. This was calculated to eliminate many existing overlappings of coverage as well as of writing power among fire, marine and casualty companies. The situation which created the need for such a definition still remained and there seemed to be pressure from many sources for a definite solution of the problem. It was contended that the solution to this question of overlapping of coverage would be the granting of multiple line underwriting powers so that both fire and casualty companies could provide coverage to their policyholders in this normal land of conflict between the fire companies on the one hand and the casualty companies on the other.

Multiple Line Underwriting

It might be well here to define what is meant by "multiple line writing power." This means the transacting of all kinds of insurance, except life and annuities, under one corporate charter, and a license issued to the corporation by the states permitting the transacting of all kinds of insurance with the exception noted. Of course, we all know that underwriting is the practice in the insurance business whereby an insurer accepts or rejects an insurance risk. To underwrite from a multiple line point of view, therefore, is to consider the risk offered with relation to all hazards and exposures to which the assured and his property may be subject. After due consideration, there may result a single contract incorporating many different kinds of insurance or there may result several insurance contracts.

The question of multiple line underwriting is neither the brainchild of a small group of company executives nor of insurance agents but is a development brought about because of the conflicts mentioned above and because of the desire of many insureds to secure

one policy to cover their insurance needs. Because this question demanded solution, Commissioner Harrington of Massachusetts, then President of the National Association of Insurance Commissioners, appointed a committee on multiple line underwriting to consider and to report its findings to the National Association of Insurance Commissioners at its meeting in June 1944. This committee made five specific recommendations as follows:

1. **Underwriting Powers of United States Companies in Foreign Countries**—Any domestic fire, marine, casualty or surety company should be empowered to write any and all kinds of insurance or reinsurance other than life insurance or annuities, on risks outside of the United States, its territories and possessions, provided it maintains a minimum policyholders' surplus of \$1,500,000.
2. **Reinsuring Powers**—Any fire, marine, casualty or surety company should be empowered to accept any and all kinds of reinsurance, other than life insurance and annuities, provided it maintains a minimum policyholders' surplus of \$1,500,000.
3. **Automobile Insurance**—Any fire or marine insurance company, or any casualty or surety company licensed to write liability insurance, should be empowered to write insurance against any and all of the hazards of loss from damage to automobiles, or from liability arising out of ownership, maintenance or use of automobiles, provided such company meets the financial requirement which must be met by a company qualified to write automobile physical damage or automobile liability hazards, whichever requirement is the higher.
4. **Aircraft Insurance**—Any fire or marine insurance company, or any casualty or surety company licensed to write liability insurance should be empowered to write insurance against any and all of the hazards of loss from damage to aircraft, or from liability arising out of ownership, maintenance or use of aircraft provided such company meets the financial requirement which must be met by a company qualified to write aircraft physical damage or aircraft liability hazards, whichever requirement is the higher.
5. **Personal Property Floater Policies**—Any fire, marine, casualty or surety company should be empowered to insure individuals against all risks of loss of, or damage to, personal property other than: (a) motor vehicles, aircraft, or watercraft (excepting canoes, rowboats, sailboats less than twenty-one feet in length, and outboard motor boats); or (b) personal property pertaining to the business, trade or profession of the insured (excepting professional books, instruments and other professional equipment owned by the insured).

The committee did not feel that their recommendations offered a complete solution to the problem but did consider that the report offered a constructive start in the solution of some of the problems that I have briefly outlined.

As with Public Law 15, it is not my intention in this address to fully discuss this question of multiple line underwriting. The Roper survey, to which I referred earlier, clearly indicates that there is a demand upon the part of the public for a simplification of policy forms. The public cannot understand why a household contents policy can insure a grand piano but cannot include an automobile as a content of its garage.

I am convinced that multiple line underwriting will become a fact within the next few years. I am further convinced that, when it does, it will place in the hands of agents an instrument which

will facilitate greatly in reaching the large unsold market for miscellaneous casualty coverage. We all know that it is impractical for an agent or a solicitor to conduct a cold canvass for many single lines of insurance because of the small premiums and correspondingly small commissions resulting. This situation would be greatly improved where a solicitor or agent could approach his client on the basis of complete coverage and with perhaps a finance plan to make payments of the resulting premium possible.

To sum up: the casualty business has grown by leaps and bounds and, to me, the economic factors appear to be such that it will continue to do so. The two immediate problems other than economic appear to be the course which legislation will take under Public Law 15 and the question of multiple line underwriting powers. If both of these problems are solved in the interest of the public and not in the selfish interest of special groups, I can see no reason why casualty insurance, or let me say property and liability insurance, will not astonish us by the growth it will experience.

Plymouth Rubber Stock Offering All Sold

F. Eberstadt & Co., Inc., and E. W. Lucas & Co., managers of an underwriting group, offered publicly April 1 300,000 shares of common stock (par \$2) of Plymouth Rubber Co., Inc., at \$13.50 per share. The shares, which represent part of the holdings of a group of selling stockholders, were oversubscribed and the books closed.

The company, organized in Massachusetts in 1922, is a leading manufacturer of plastic and rubber specialties which are distributed widely in this country and also sold for export. The plastic division, started in 1943, is now the company's most important line. In addition to extruded products, this division makes plastic film and sheets which it sells as such and also manufactures into shower curtains, raincoats, baby pants, crib pads and other specialties. Rubber products include rubber soles and heels for shoes; electrical, friction and rubber splicing tapes and cable insulations tape; coated fabrics and rubber bands.

Plants are operated by the company in Canton and Rockland, Mass. Total net sales for the fiscal year ended Nov. 30, 1946, were \$12,678,315 and net profit for the period was \$2,149,550. For the fiscal quarter ended Feb. 28, 1947, net sales were estimated at \$3,771,000 and net profit was estimated at \$741,000. The company's sole capitalization consists of 900,000 shares of common stock, \$2 par value. A dividend of 25 cents per share is payable May 15, 1947, to stockholders of record on April 30, 1947.

With Olsen, Donnerberg

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, MO.—Thomas J. Hagan, John R. Heslop and Walter H. H. Schaefer are now with Olsen, Donnerberg & Co., Inc., 418 Olive Street. All were formerly with Slayton & Co.

With Slayton Staff

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, MO.—Howard R. Lofgreen has been added to the staff of Slayton & Co., Inc., 408 Olive Street.

Joins Westheimer & Co.

(Special to THE FINANCIAL CHRONICLE)
CINCINNATI, OHIO—Adrian K. Wulle has joined the staff of Westheimer & Co., 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Bates Mfg. Co. Stock Offered at \$29.25 Share

Offering of 54,905 shares of Bates Manufacturing Co. common stock (\$10 par) was made April 2 by a banking group headed by E. H. Rollins & Sons, Inc. The stock was priced to the public at \$29.25 per share. These shares are outstanding and are being sold for the account of stockholders, and no proceeds will accrue to the company.

The company was incorporated under Maine laws on Aug. 16, 1850. Bates Manufacturing Co. now owns, directly or through its subsidiary, five textile mills. The Bates, Androscoggin and Hill Mills are located at Lewiston, Me.; the Edwards Mill is located at Augusta, Me.; and the York Mill at Saco, Me.

Bates manufactures a large variety of cotton and rayon fabrics both in the form of finished goods and grey goods. Among the cotton fabrics produced are jacquard woven bedspreads, ready-made drapes, drapery fabrics, table covers, upholstering cloth, ripplette hospital bedspreads, combed percale bed sheets and pillow cases, lawns, twills, drills, broadcloths, poplins, fine muslins, batistes, organdies, grey and starched drills for the shoe trade, flannels, soft-filled sheetings, duvetens, napped flannels, laundry felts and various specialties in the napped field. Among the rayon fabrics produced by the company are filament rayon cloths, primarily for garment linings, underwear, dress goods and home furnishings, and goods woven from acetate and nylon yarns.

J. A. Hogle Opens N. Y. Branch Under Howard

J. A. Hogle & Co., members of the New York and Salt Lake Stock Exchanges and other principal exchanges, announce the opening of a branch office at 61 Broadway, New York City, under the management of Kenneth J. Howard. Mr. Howard has been representative for J. A. Hogle & Co. in New York for the past year, specializing in Western mining issues.

Kimbrough to Manage Merrill Dept. in Detroit

DETROIT, MICH.—E. Price Kimbrough has been appointed manager of the bond department of the Detroit office of Merrill Lynch, Pierce, Fenner & Beane, in the Buhl Building. Mr. Kimbrough has recently been serving with the Army Transportation Corps in the South Pacific. Prior to his enlistment, he was with Braun, Bosworth & Co., Miller, Kenower & Co. and the Union Guardian Trust Co.

Morton M. Banks Opens Own Investment Office

Morton M. Banks has opened offices at 115 Broadway, New York City, to engage in the securities business. Mr. Banks was previously vice-president of Newkirk & Banks, Inc.

Two With Hornblower And Weeks

(Special to THE FINANCIAL CHRONICLE)
DETROIT, MICH.—Walter E. Auch and George L. Kalb are with Hornblower & Weeks, Penobscot Building.

With Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS.—Clyde K. Horton, Jr. has become affiliated with Kidder, Peabody & Co., 115 Devonshire Street.

World Bank in the Spotlight

(Continued from page 5)

to be made within a few weeks. "Which borrowers will the Bank accept? Will borrowers be chosen independently of the political policies of the United States? To be specific, will a well-organized and economically promising loan project of Poland be rejected because of Russia? Or will Chile be pushed aside because of sneering at its default record, which is really not so bad, or its leftish complexion?" These are among the questions being asked.

What those friends of Bretton Woods fear, of course, is that political considerations will dictate both the making and the withholding of World Bank loans. The number one political decision on the positive side is that of the French loan application. That is, France will get a loan. But, the writer is told, the economic aspects of the French loan in many respects are poorer than those of, say, Chile's case. France, it is pointed out, is accumulating a rather staggering debt load, already owing the U. S. A. more than \$1.9 billion on Export-Import Lend-Lease settlement, 3C, and surplus-property account; owing Canada about \$250,000,000, the United Kingdom about \$400,000,000, and asking the World Bank for \$500,000,000 for only part of the Monnet Plan.

Policy on Loan Terms Awaited

A second matter of Bank policy which is being watched in Washington and abroad is that of loan terms. What will be the rate of yield? Will there be underwriting fees in addition to compensation for the cost of distribution? Will the Bank promise investors to limit its total issues?

There has been a report that there is backing in high Bank circles for limiting the Bank's activities to its hard-currency capital, namely the capital furnished by the U. S. A. and Canada. The idea, at least, has been discussed. To friends of Bretton Woods such a policy would be most objectionable. One objection would be that the World Bank was to be a \$10 billion international institution, but if in reality it were to become virtually a U. S.-guaranteed bank, it would be a very expensive American bank; for it will be selling bonds at more than the going rate for Treasury obligations of corresponding maturity and giving investment bankers and others a "cut." Were that to be the outcome, it is argued, it would have been better in the first place to let the Treasury raise the money and the Export-Import Bank lend it.

The overhead of the World Bank, it is further pointed out, is more than double that of the Export-Import Bank. Moreover, people would be asking: "Why the Ruben Goldberg device of all these foreigners to lend American money under purely American guaranty?"

Hard-Currency Limitation Opposed

The argument against limiting the World Bank's operations to its hard-currency capital continues: This was to be an international bank providing, among other advantages, an international forum for the consideration of international capital-movement problems. It was to bring communal thinking to bear on national policies. Thus, if 41 countries disapproved of the policies a single member is following, it would mean much more than if the U. S. A. alone expressed disapproval.

Finally, a prime reason for the Bank was that it was to be used as bait for the Fund, the writer is told. To elucidate, the Fund was to be a keystone in the U. S. A.'s postwar trade policy; but many countries would not have accepted the Fund and the trade

policy which it stands, had it not been for the capital assistance available through the Bank. Those members, notably but not exclusively Latin Americans, who joined the Bank because of the hopes it dangled before them will give the Bank a fair chance to deliver, but will not indefinitely remain members of a, for them, sterile organization, it is said.

Another idea in circulation which friends of Bretton Woods are ever watching is a merger of the Fund and Bank. Some of the original opponents of the Bretton Woods program, it is recalled, saw no need for two separate institutions. This was the position of organized banking. A merger could in fact be accomplished without an amendment of the Bretton Woods agreements, were the countries with the largest quotas so determined. All that they would need to do would be appoint the same man as executive director of Fund and Bank. The executive directors, in turn, might appoint the same person to the posts now held by McCloy and Gutt. Then you would have a merger. The next question would be whether the Bank was merged with the Fund, or vice versa. For the Fund by its nature needs always to have its executive directors or alternates present, as was argued by Dr. White for the American delegation at Savannah; whereas the time will come when the Bank will be able to continue with only intermittent presence of its executive directors.

Possible Shift to New York

Still another idea in circulation which friends of the original Bretton Woods program are watching is the matter of moving the Bank's headquarters to New York. This was something the British and Canadians, as well as some others, wanted at Savannah. Also, it would be a move generally welcome to the financial community. But it would not be welcome to those who fathered the Bretton Woods program and who feel that the Bank has now become American-controlled—yet not American-Government-controlled.

Incidentally, it is pointed out, not all financial opinion in the Midwest and elsewhere is pleased with the changes which have come over the Bank in recent weeks. For one thing, they fear there may be "too much Wall Street" in the Bank; and refining the matter still further, "too much Chase Bank" in particular, since the Chase National Bank was a client of Mr. McCloy's law firm, since the new U. S. executive director of the World Bank comes to it from Chase, and because of other prominence of Chase officers in official and semi-official capacities in Washington and internationally.

Pittsburgh Bond Club Re-elects Steinecke

PITTSBURGH, PA.—At the annual meeting of the Bond Club of Pittsburgh held Tuesday Evening, March 25 at the Roosevelt Hotel, S. W. Steinecke, Secretary and Treasurer of S. K. Cunningham & Co. was re-elected President for the fiscal year 1947-48. Other officers elected were Ernest O. Dobritz of Moore, Leonard & Lynch, Vice-President; W. Stanley Dodsworth of Parrish & Co., Treasurer, and Edw. C. Kost of A. E. Masten & Co., Secretary. Governors elected are Robert L. Johnston of McKelvey & Co., James C. Lear of Reed, Lear & Co. and James M. Scott of J. M. Scott & Co. Mr. Alexander Galbraith, the British Consul in Pittsburgh, was the principal speaker at the dinner which followed the business session.

An Indictment of Soviet Policies

(Continued from page 16)
of deceit and further, that this entire method of procedure so far as those acting for Soviet Russia are concerned, leads to the most intense degradation of intellectual integrity; the complete atomization of the intellect. So that everyone who calls himself a Communist leader in the United States is merely a manikin, being moved about at the direction of the dictators residing in the Kremlin.

But, more important than all of this background indictment is the fact that today, Soviet Russia aims, through a war of nerves, at the destruction of the American Nation, and the American Republic as the chief physical obstacle in its path to world domination, and that, secondly, it aims at the complete destruction of the Catholic Church as the chief moral obstacle in its path to world domination, thereby, of course, paving the way for the destruction of all organized religion. Because, Pius XI says, in his remarkable Encyclical on Atheistic Communism:

A system based on terror, Statism which has no other foundation than that the law of terror, cannot permit moral considerations to remain within its confines; cannot permit the idea of morality through a Natural Law or the idea of God to remain within its regime.

This is a most serious indictment, I appreciate, but as I have said, it is supported by the charges which I have learned to bring before you from my own, reluctant and bitter, experience. Item by item, let us consider them.

In the first place, Soviet Russia's intention to dominate the world. That I stated more than a year ago when I left the Communist movement. It is much more lucid now, because we have just had this machine-gun election in Poland. And the terror in Roumania and Bulgaria, reported by Reuben Markham of the "Christian Science Monitor," the complete destruction of the Four Freedoms, everywhere that the Red Army dares to put its heel.

And there cannot be any more pretext, that Soviet Russia stands in one measure for any preservation of the Four Freedoms, after its conduct in Yugoslavia, Bulgaria, in Roumania and Poland.

But we can go, as far as the objective of world domination is concerned, to the Soviet leaders themselves. We have statements which I have quoted before. V. M. Molotov, present Foreign Minister of Soviet Russia, in 1928 told this to the Leningrad functionaries of the Communist party after the Sixth World Congress. These, by the way, have been chosen at random, these various quotations.

Molotov stated at the time of the Sixth Congress of the Communist Internationale: What is the sole purpose and goal of the Communist Internationale? And he answered: The sole purpose and goal of the Communist Internationale is the establishment of a World Proletarian Dictatorship. He not only said this once. He said it fully ten times in this address, which can be obtained, incidentally, from the files of the New York Public Library, and at a very nominal sum, I am sure, by having it photostated.

It appears in the International Press Correspondence for 1928, that being the reportorial system of the Communist Internationale at that time.

In 1935, there occurred the Peoples' Front Congress, and another tone might have been expected. But the same idea of world domination continues to prevail in that Congress. This was a meeting of all the Communist leaders again, from throughout the world, to receive instructions as to the policies to pursue in the ensuing period.

Wilhelm Pieck, the Chairman of that meeting, or of that Congress, who is now the chief representative of the Comintern, of the Kremlin, in Soviet-occupied regions of Germany—in his speech as Chairman, stated:

"What is our goal? It is the goal of Soviet power everywhere. What is our banner? It is the banner of Marx, Engel, Lenin and Stalin. Who is our leader everywhere? It is Stalin."

And in order to make this more emphatic, not only did D. V. Manuilsky, alleged representative of the Ukraine in the United Nations, who is in reality still the head of Communist Internationale, arise then, in 1935 and add much more extensively to this vision of world domination, but a special resolution of personal feeling for Stalin as their leader was adopted by the Communist leaders from throughout the World.

This resolution declared that under all circumstances would they look to the leadership of Stalin as their teacher, their leader, their guide; as the one who would lead them to the World Proletarian Dictatorship, to Universal Communism.

This was synonymous to any pledge any field marshal ever made to Hitler as the leader of the Reich. It was subscribed to by the American Communist leaders enthusiastically, and specifically by Earl Browder, as the then head or leader of the American delegation.

Let us go further into the second feature of this indictment. What part did the Communist party play in this aim at world domination? There, we can bring forth evidence upon evidence, but I will content myself calling your attention to the fact that throughout twenty-five years of its existence, never has the Communist party in any resolution, nor the Communist Press, in any of its pages, expressed one word of criticism for any leader in the Soviet Union, approved by the Kremlin dictatorship.

To the contrary, its pages resound with praises, with adulation of all those in the leadership of the Soviet State, no matter what actions they may pursue, no matter what policies they may adopt. On the contrary, every American leader is weighed and measured in accordance to the degree of his friendship or subservience to the Soviet State. If he is at all in "opposition," he is subjected to the utmost flow of vituperation, no matter who he may be.

And if we had the time, we could study the Communist attitude toward President Roosevelt as a very outstanding example of just this course of action.

And that, my friends, is the mark of a Quisling movement, which is reinforced very much by the whole conduct and attitude of the Communist leaders.

What does the Communist leader have to do? Every morning study—not what American leadership is saying, but what Pravda says, or Izvestia, the Soviet Press; what the Soviet leaders are declaring, in order to learn how best he can that day and throughout the country in his work carry forward the will of Moscow among the American people, expressing it as far as possible in American terms, in order to deceive the people.

That is the constant preoccupation of Communist leaders in this country, without one degree of individual initiative insofar as they can exercise it in putting into effect the current will of the masters of the Kremlin.

Then this is carried forward in the most illegal manner, with resort to all sorts of illegal contrivances and devices.

You will recall that Earl Browder went to jail for falsifying his

passports. At the time of the Hitler-Stalin Pact, he had travelled, in defiance of the United States Government, into Russia and to other places, particularly China, on the representation that he was another person; that he was, for instance, Nicholas Dannenberg, a secret Soviet agent not so generally known to the United States Government; that he was this man or that man, and he went to jail for that offense.

It was represented at that time, by the Communists and their friends, that this was a rather unusual occurrence on the part of Communist leadership. My friends, it is a common pattern of such leadership. Charles Krumbein who was the National Treasurer, spent eighteen months in jail for traveling to the Orient on the Kremlin's business on a false passport. Harry Ganngs, late foreign editor on the "Daily Worker," was about to be imprisoned on the same charge as Browder when he died, and his activities were even more extensive: to Paris, Latin America, to the Philippines—on false passports to carry forward the Kremlin's desires.

Oh, the number of these names, which would not mean so very much just in the naming, can be mounted up until they become quite a considerable lot. And then, during the Hitler-Stalin Pact, I found that so wide were the technical difficulties, false entries into the United States, false passports, other things to haunt the footsteps of Communist leaders here, that practically all of them had to go underground. That was at the time that the Party was in disrepute because of its forwarding the ideas of Hitler, as you will recall, declaring Hitler to be the Evangel of Peace, and Britain to be the chief enemy of mankind. They went to Florida, put on false moustachios—did all sorts of things. They even tried to get me to go underground; to go to a hotel, to put down my name under some assumed cognomen, but I refused to do so, saying: "What's the matter with me? There is nothing wrong with me." And they were very much surprised to find that there was one leading Communist, or two, who had no "technical difficulties" as they called it; who had committed no offense against the Government of the United States.

It was largely because of that that I was elevated to the presidency of the corporation controlling the "Daily Worker" during that time, and to the managing editorship of the "Daily Worker."

Illegal activity I will not go into, in the sense of the methods of assassination carried on by the secret conspiratorial apparatus, save to point out that as an editorial worker on the "Daily Worker" I sought to get the answers to the charges in regard to the disappearance of Julia Stuart Poyntz, for example, a native American school teacher long in the ranks of the Communists, who was very active in the secret apparatus of the Communist movement; who was about to "go sour," as they call it, and disappeared completely from the sidewalks of New York, and has never been heard from since. The "Daily Worker" was accused of knowing something in regard to this disappearance, and I wished to make a defense. I was told very definitely that we will make no defense; that this is hot cargo—"it might involve some of our comrades, and the people will soon forget it."

It was the same thing in the case of Ignatz Maria Reiss, also in the secret apparatus—kidnapped, killed and, again, about whom I wished to make a defense—received the same reply. And this story can go very much further, indeed, than I can give it to you today. I am sure that it

will come out in more detail, as the days go by.

In regard to the deceit, of course, this is the common pattern of Communists, and I will not belabor your time with mentioning it in detail. I will only give you two examples from out of the Soviet Government's own public activities, which could be reinforced by many others.

We'll take the case of Argentina. We remember Argentina. I remember it very vividly because, as managing editor of the "Daily Worker," I watched with great attention the battle taking place in San Francisco, and we received instructions, when D. Z. Manuilsky arrived late on the scene, as you will recall, to open fire on Stettinius in regard to the whole Argentine and other matters. So that it is very vividly in my mind.

Soviet Russia made an attack upon the United States for endeavoring to bring Argentina into the United Nations. The United States contended this would lead to unanimity in Latin America and was desirable, and won its point, but thereafter the Communists, as you know very well, and those whom they were able to influence, conducted a barrage, a campaign everywhere throughout this country against Argentina, so that a policy of bearing down upon Argentina was inaugurated. Immediately the Communists in Latin America took advantage of this to open fire in Latin America upon Yankee Imperialism and its interference with the affairs of another country, and as a result the Communists have gained tremendously in neighboring Chile; many new members in the Parliament, and three members in the Chilean cabinet.

And then, when all of this was thoroughly done, Soviet Russia's Foreign Department makes a special treaty with Argentina, a trade treaty and declares itself a friend of the Argentine people. I submit that this is deceit.

Then, in regard to the treatment of the German people. I had thought that this war was fought over the principle no people were to be stamped as criminal, and yet the Communists began a campaign to destroy the German people. Not the Nazi leaders alone, but the entire German people. The Soviet armies and the Soviet Union compelled Czechoslovakia to drive 14 million people, men, women and children, in the cold, in the midst of a winter, out of their homes, which they had occupied for several hundreds of years, into the American Zone in Germany, roofless—without clothes on their backs, in many instances.

And here, too, there was a regular campaign conducted by the Communists and their friends everywhere possible for bearing down upon the German people. And when this thing was thoroughly done, so far as it could be, Mr. Molotov arises and, in effect, declares that Soviet Russia does not approve of bad treatment for the German people. And Mr. Byrnes has to rush to Stuttgart and say, "Neither do we!"

This is a short-hand account of the affair, but that is what took place. And that, I submit, is deceit. Deceit intended to undermine the prestige and position of the United States throughout the world.

This is reinforced today in the "New Times," the "New Times" being the current name of the Communist Internationale magazine. Every trained Communist knows it. It is issued as a special supplement to the Soviet trade union magazine, "Trud," in Moscow. That, I, as managing editor of the "Daily Worker," Earl Browder, then general secretary, and every other leading Communist, knew and knows—that "New Times" is the Communist Internationale in disguise, and "New Times" is conduct-

ing a campaign against the United States that certainly shouldn't come from any friendly power, declaring us a greedy nation which has planned for the starvation of all other peoples in order to be able to subjugate them to American domination.

This is expressed in "New Times" in scientific, ideological language, but when it is transferred to the Communist ranks in every country, into the trade unions where they operate, into the peoples' organizations, into the Press they influence, it comes out in much more raucous terms. And can anyone wonder that, throughout the world, there is apparently a peculiar animus against the United States in many quarters, when this organized campaign from Moscow—allegedly a friendly power—is being carried on constantly in the official word that reaches every Communist Party leader as a specific directive to them as to how to act.

This has led, of course—the fact that the Communist movement is such a puppet of the Kremlin in the carrying out of this campaign—has led to the absolute destruction of all intellectual integrity on the part of anyone who wishes to be an adherent of Communism, in any leading degree. It is very ironical that in the viewpoint of Marxism, which claims to have established a science that brought about the triumph of the intellect by doing away with all sorts of spiritual underbrush, spiritual or moral considerations that keep the intellect from expressing itself fully—that this has ended in the complete destruction of the intellect. What intellect is allowed a Communist leader? I will give you one or two examples.

We will take the intellect of Earl Browder. What happened to it?

Well, Earl Browder was the leader, chosen personally by Josef Stalin to represent him in America when Jay Lovestone and Gitlow were thrown out in Moscow, by Stalin himself—personally. Browder, therefore, every time he appeared before a secret national committee meeting, had to be cheered for at least one half hour to one hour. Of course, on a public platform we respect leadership. Sure, that's correct, if you agree with it, but this was in private, secret meetings. You had to arise, whether you wanted to or not, and cheer him to the echo.

Beyond that—this was only a sign of what was to follow. Every member of the National Committee, after Browder had given a report from two to four hours at a National Committee meeting, stating what would be policy for the next period, every member of the National Committee, 60 in all, would arise in turn, and say that he agreed 100% with the magnificent report of Comrade Browder which transcended anything that his genius ever before had concocted, and they hailed him as the leading Marxist of the Western Hemisphere, and the adulation was very thick, indeed.

The reason for this, of course, is very apparent. They weren't honoring Earl Browder, who many of them had the utmost contempt for. They were honoring Josef Stalin whose depository Earl Browder happened to be.

I hope that I have made this properly clear. Although if you read the Birthday Edition about Browder in "The Communist," which was then the official theoretical organ, you would imagine they were speaking about Stalin instead of Browder, so great were the praises that were sung on his behalf. He was a man without fear or reproach, or any defect whatsoever. But one day suddenly, in April of 1945, Jacques Duclos, the leader of the French Communists, wrote an article in which he declared Browder to be guilty of Revisionism.

Do you know what Revisionism is? It is a crime from the Right,

a crime of Soviet Union movement somewhat to what T. of a crime the first meeting, w 1945, a se Browder der this bers of who had lated and now—they him. Th uttered a defense.

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a crime of treason against the Soviet Union and the Communist movement from the Right. It is somewhat similar, or corresponds to what Trotskyism is in the way of a crime from the Left. And at the first National Committee meeting, which was held in June, 1945, a secret meeting at which Browder was to state his case under this accusation, these members of the National Committee who had cheered him and adulated and approved of him were now—they wouldn't even speak to him. This was before he had uttered a word yet in his own defense.

But wasn't that a powerful document written hundreds of miles away, by a Frenchman in Paris? Of course Browder had sealed his own death warrant when he had written, introducing this article finally, after much hesitancy, he had written this significant phrase: "This undoubtedly represents the opinion of all leading European Marxists." That is, that he was a traitor. Represented the opinion of all leading European Marxists, said he. Well, everyone knew—you didn't have to be very grown-up to know that the leading European Marxist is Josef Stalin—Our leader, our teacher, our guide, and if all the leading European Marxists agree with this judgment, that was the judgment of the dictators in the Kremlin.

That is why Mr. Browder was socially ostracized at the first appearance he made in the National Committee after this document was released.

I was one of three who spoke to him, and I had a particular exemption as a newspaperman to be able to speak to enemies of the Party, because I had said, "How in the world can I go to press tables and other places as a newspaperman, and make faces at people with whom I have to cooperate"—and I was given a special exemption by which I could speak to enemies of the Party.

Ironically, I took that exemption to speak to Earl Browder on that June morning when the majority of the 60 members of the National Committee present would not address him any more.

Now, why was Browder signalled out, we may ask. Why was he signalled out for this treatment, when he had been so subservient to the Kremlin? He had gone to China as the representative of Stalin, and had organized the Chinese Reds against the American nation. That was specifically said to be the purpose of his mission at that time. With Thomas Mann, Jacques Doriot of France, he had done a good job there, and that is why he was elevated to the leadership of the American organization. Here he had likewise been subservient, even, sometimes, to an almost absurd degree, carrying out every order minutely and justifying every conclusion reached by Moscow as quickly as he could.

Why was he signalled out for this particularly ignominious treatment? Because a conspiracy does not leave signs around everywhere, saying "Kilroy was here." A conspiracy does not arise in the United Nations, in the person of a Molotov and say "We are about to unleash a War of Nerves against the United States, from which we wish to borrow money in order to attack the United States once more."

And to every trained Communist it is well understood that Mr. Browder was so demoted without warning, in the fashion he was, in order that everywhere, throughout the world, the leading Communists would appreciate that from this time on, the United States is the chief foe, and a War of Nerves is about to be unleashed against the American nation. Because Browder stood out in the international Communist movement as a man who, following the Kremlin line at that time, de-

fended the Teheran Pact. The Teheran Pact, the agreement between Stalin, Roosevelt and Churchill which said they would cooperate for future generations of peace.

Browder stood on that policy; popularized it in America, as the Kremlin at that time wished it to be done. But Jacques Duclos said then, in his article, that the Teheran Pact is only a diplomatic document, and that Browder is guilty of Revisionism in trying to extend it to a lengthy friendship between the Soviet Union and the United States.

Only a diplomatic document. In other words, only a piece of dust to be thrown in the face of the American Executive and the American people in order that they will pour lend-lease into Russia, stricken before the efficient German war machine. That is what Mr. Duclos's words said, and I invite you to study them carefully, and to be reminded of their full significance. That is what they meant to a trained Communist, and that is what they meant to the entire National Committee of the Communist party of the United States, well-trained in deciphering such messages.

Were time to permit, I'd like to go into this Duclos article in which it was shown that the United States was a hopelessly capitalistic nation, in the light of the Duclos article, which meant, incidentally, that the United States as a hopelessly capitalistic nation would have to receive, eventually, the same treatment that Germany, the hopelessly Fascist nation, received.

All this is borne home to my memory well, because it was a three weeks' discussion, of which I was chairman, just before I left the organization—already preparing to go for a long period of time—and this viewpoint was endorsed by the then representative of the Communist Internationale, Gerhardt Eisler, otherwise known as Hans Berger.

And in order to confirm this, in August last year, Eugene Tarle, the Soviet historian, in an article in the "Red Star," declared the United States to be a Fascist nation, comparing it somewhat to Hitlerite Germany. Ann O'Hare McCormick answered that in the New York "Times," but that didn't phase the Communists at all.

The British Communists, through their National Committee, in September adopted a resolution again declaring the United States to be a Fascist nation, and I repeat, if you read the characterizations of United States policies as appearing in "New Times," and regularly sent as directives to all the Communist party throughout the world, you will find that the United States, with its Imperialism so-called now, in the eyes of the Soviet and its Fifth Columns, is almost, if not precisely, in the same position as Hitlerite Germany's relation to Soviet Russia a few years back.

There was, likewise, the attack upon the Catholic Church, which I learned about from bitter experience in my endeavor to reconcile Catholicism and Communism. That is too long a story to tell you today, but I will say that, again, in "New Times," all my experiences are confirmed. The attack on the Vatican has increased with fury, but here in the United States, in April, 1946, in "Political Affairs," the official communist theoretical organ, those charges which I made the year before, in this respect, and which I knew to be true from my experience, are openly acknowledged.

Namely, it is set out that there must be a campaign for the destruction of the Catholic Church in America. This is to be done by arousing the Protestants to the increasing influence and growth of the Church. As a matter of fact, Monsignor Sheen is accused of being in cahoots with Capitalism, and the Capitalists are throwing

him a few converts in order to build up the Catholic Church, in the endeavors of Wall Street against Moscow. But I am sure that our American Protestants and fellow citizens are not going to be deeply moved by this activity. Nevertheless, the Comrades now understand that, disguised as Protestants they are to go forth, just as they have been alleged Liberals and trade unionists and endeavor to arouse America against the Catholic Church. And they state specifically—this is in the April, 1946 "Political Affairs"—that the laity must be divided from the hierarchy, and as a sample of how this can well be done they give a model in the recent resolution in New York City Council by the Communist councilman attacking Cardinal Spellman.

This should be repeated everywhere that it is feasible, feasible of course, to be done, and this is the Communist tactic which they recommend throughout America. It is interesting that the charges against Cardinal Spellman were precisely the same as those that have so infamously sent Archbishop Stepinac of Yugoslavia to jail, in hard labor, in Tito's prison camps.

There, in some fragmentary form, is some of the story that I could tell. Or, part of the experience that came to me. It is much more intense than I can give you in our few moments together today, but this thing is clear: That, as I stated at the time, the Dictators in control of the Kremlin are intent upon a War of Nerves against the United States; upon pushing forward across Europe and Asia, to confront our nation with these two continents and to engage, if necessary, in military conflict. Just as this year, we see the Four Freedoms, as I have stated, so notoriously destroyed in Poland, Bulgaria, and Roumania—not to mention Yugoslavia—so we shall see, in the next year, unless a firm policy is taken by our Government against this constant destruction of Liberty by Soviet Russia, we will see the advance of Soviet Russia to the borders of Europe, into France where already the Communist party is very strong, basing its program, likewise, on a policy of the utmost deceit.

That being so, what should we do? I cannot venture to give recommendations to you today, but one thing I am sure of, and that is that the appeasement of Soviet Russia in any form will be more disastrous for the United States than was even appeasement of Hitlerite Germany.

Secondly, and this I raise only as a question, Why is it not possible to raise on the floor of the United Nations at last the question of the maiming and murder of the Four Freedoms in Poland, Bulgaria, Roumania and Yugoslavia? Soviet Russia certainly has no qualms about raising any question on its mind on the floor of the United Nations, almost even having this recent hold-up brought on the floor of the United Nations. But certainly today, in the case of Poland we have, as the New York "Times" indicated it, reached a point where, unless something is done, Soviet Russia will be the complete master of Europe whether the European people want it or not. And I do raise as a question—not knowing all the facts in the case—if it is not advisable at the moment that the question be raised as to why the Four Freedoms are being destroyed, and free elections being wiped out in these countries which, in my mind, from other information that I have received over my desk, are the nesting places for the next World War—should it come. The nesting places, because hundreds of thousands of conscripted soldiers are being trained there eventually by Soviet Russia for its services in the conquest of other nations, through the Blitzkrieg,

which is the same tactic as Hitler adopted, except with Soviet variations.

This I saw, my friends, as early as 1943. I saw it in the changes in tactics in regard to Finland. You will remember the efforts of Soviet Russia: Finland was to be a Red Republic. That was not successful, and from that time on it was decided to follow the Hitler tactic which was always near at hand for the Soviet Dictator, but definitely to follow the Hitlerite tactic in Latvia, Estonia, Lithuania, of getting 95% "Jah" elections, which is what is occurring ever since, everywhere the Red Army has entered any country under any guise. This has to be stopped, unless we are to have World War

III and I do raise the question as to whether the time to stop it is not now, and as to whether the place in which to stop it is not concerning this complete denial of free elections in these nations to which I have referred.

I feel confident that America has a great mission to the World today, and that the chief of its contributions can be the bringing about of a just and lasting peace, by taking a firm stand against appeasement; by taking a firm stand for democratic elements throughout the world, and by taking a firm stand for those things which were promised out of this Bloody Conflict, the Triumph of the Four Freedoms.

Federal Reserve Board Clarifies Reasons For Backing Bank-Loan Bill

(Continued from page 15)

Owners of small enterprises characteristically prefer to obtain their funds on a loan rather than an equity basis, because they do not wish to permit a dilution of their own interests or to run the risk of losing control of their businesses. For this purpose term loans, amortized out of profits, are essential and desirable. This type of financing is particularly suitable for small businesses, which need a substantial period of time to retire loans by gradual repayment from earnings.

Operating Procedure

The Reserve Board maintains that the bill does not place the Reserve Banks in competition with the private banking system. Loans guaranteed would originate with local banks dealing with local people whom they know and with whose character, capability and capacity they would be familiar. A Federal Reserve Bank would not guarantee any loan unless requested by the local bank; but if such a guarantee is desired it would be promptly available, when approved by the Reserve Bank, without referring the matter to any agency in Washington. The 12 Federal Reserve Banks and their 24 branches provide a regional organization through which local financing institutions in all areas of the country would have convenient access to a guaranteeing agency.

As in the case of war production loans under the V-loan program, a maximum interest rate would be set for guaranteed loans. The present maximum rate under section 13b is 5% and it is contemplated that the initial maximum rate under the new legislation would be the same. Within this limit, which may be subject to change with changing conditions, interest rates would be determined by the borrower and the bank.

Guarantee fees charged would be specified percentages of the interest rate, graduated according to the percentage of the loan guaranteed. The method would be similar to that used in the V-loan program, when guarantee fees ranged from 10 to 30% of the interest rate, according to the percentage of the guarantee.

Precedents for Guaranteeing

The Federal Reserve authorities firmly maintain that the system of providing financial assistance through partial guarantees of loans no longer involves untried principles and procedures. For many years the Federal Reserve System has had experience in making and guaranteeing business loans under section 13b of the Federal Reserve Act. Although the authority of the Federal Reserve Banks under that section was restricted, they approved 3,542 applications for commitments and advances amounting to \$566,000,000, and their personnel gained a fund of knowledge and training in this type of

financing. Interest and fees collected exceeded expenses and losses.

They point out that during the war the Federal Reserve System acquired valuable experience in the administration of the V-loan program for guaranteeing war production loans. Under that program they processed 8,771 guarantees, aggregating nearly \$10½ billion. The guarantee fees collected far exceeded expenses and losses sustained and the operation resulted in a very substantial profit for the government. The pending bill follows the guarantee principle which was applied under that program, and financing institutions are already familiar with the services of the Reserve Banks in that field.

Polish Fair to Run From April 26 to May 4

WASHINGTON—The International Fair of Poznan, Poland, interrupted by the war after 18 years of existence, will take place—for the first time in the postwar period—from April 26 to May 4, 1947, the Polish Embassy has announced. It added that "the Fair this year will be especially interesting, as it will reflect the progress already made in Poland's postwar reconstruction. The Fair will offer foreign firms many opportunities for commercial and business trade, with especially wide possibilities in the sale of industrial articles.

"Exhibitors and visitors to the Poznan Fair will find comfortable lodgings at the city's Gospoda Targowa, Poland's largest tourist hotel.

"Persons interested in attending the International Fair of Poznan can receive visas by applying to the nearest Polish consulate."

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Harold R. Colvin to Albert D. Farwell will be considered by the Exchange on April 10. Mr. Farwell will continue as a general partner of Farwell, Chapman & Co.

Luber & Co. dissolved Mar. 31. Walter S. Aagaard, partner in Fahnestock & Co. died on March 24th, his interest in the firm ceasing as of the same date.

Percy Owen, Jr., member of the New York Stock Exchange, withdrew from partnership in S. R. Livingstone & Co. on March 31, on which date the firm retired as a New York Stock Exchange member firm.

Allan W. Betts withdrew from partnership in Silberberg & Co. on March 31.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Continued dullness for rest of April indicated. Participation in current market on a hit and run basis.

If you're tired of reading about this market, then imagine how much more tiresome it is to write about it. After all here is a market lying on its side. Every time it stirs everybody around it starts buzzing with ponderous statements about what it will do, and all it does is just shift its position slightly and continue to snore. No wonder the market is losing friends. After all how unsocial can it get and still keep even its acquaintances. Even the bears who see in the present lethargy a sure indication of sleeping sickness (encephalitis lethargicus — if you're scientific) are slowly losing interest. But whether or not the dormant position of the market is to your liking or not, you'll probably have to resign yourself to seeing it behave that way for the next few weeks. The only thing that can move it one way or another is some kind of a jolt, and where this will come from is anybody's guess. And yours is probably better than mine.

Two weeks ago I wrote here that the tape was beginning to show an oversold position and that a rally to about 178 was more than a probability. But once it got there it would run into trouble. Only a piece of surprise news would move it higher. Well, that was two weeks ago. Last week (the latter part of it) you saw them climb up to about 179. Just when prices started to look like they might go higher, the sleeping sickness overtook it, and back it went to about 177.

That the market is waiting for something, I'm sure. But

what it is I don't know. Neither do I know what the next direction will be once the "something" occurs. I have a suspicion, however, that the next major move will be up. Before that happens I also believe that we will see a period of dullness that will last most of April, and during that time prices will kind of drift down to about the 170 figure. It may stop short of it by a couple of points. But from this vantage point the 170 price appears to be the objective.

Timing in the next few weeks will be quite important, not that it isn't important at all times, but buyers in the next few weeks, if they don't have the patience of a Job, will lose considerable both in sleep and money. There is nothing so trying on one's nerves as to stay long during a dull reactionary market. To buy them right on the nose is an ideal everybody in the market strives for. To attain it is something else. If by chance one does manage to do it, it is usually a result of a combination of factors, in which sheer luck plays a major part. I'm not denying that skill has something to do with it. But that skill has to do with something based on experience and that kind of experience doesn't include picking tops or bottoms. In its broader sense, this kind of skill can smell out a change in the tide, but not its low or high point.

One way to make known and unknown factors work is to limit a buying or a selling program to various stocks and at specific prices. Sometimes this causes losses. More often the losses are limited. Profits on the other hand have a better chance of increasing.

Specifically this means the placing of orders frequently away from the market and waiting for them to be reached. But with each order a limit must also be placed. If it's a short sale there must be a stop on top, with a buy order on bottom. If it's a buy a specific price must also be given with another figure under the buy point beyond which the stock will not be

carried. This is not a system, and it is by no means infallible. But it has its advantages, particularly in a dull market that is groping for something.

Last week I mentioned two stocks that show better than average performance, Bethlehem and U. S. Steel. At this writing their action is still encouraging. But now with prices groping down it might be a good idea to place some buying orders. I suggest Bethlehem between 87 and 89 with a stop at 86. U. S. Steel is suggested between 68 and 69 with a stop at 67. I don't know how long you may have to wait before you get either of them. But you'll have to wait, of that I'm almost certain.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Wilbert Olsen V.P. Of J. J. O'Connor

CHICAGO, ILL.—J. J. O'Connor & Co., Incorporated, 135 South La



Wilbert O. Olsen

Salle Street, announce that Wilbert O. Olsen has become associated with their firm as Vice-President. Mr. Olsen was formerly with Kneeland & Co. for many years, in charge of the Municipal Department.

Govt. Security Dealers Will Close Saturdays

Beginning April 5, members of the Government Security Dealer Group, consisting of 19 government bond dealers in New York and Chicago, will suspend operations on Saturdays. R. C. Morris, Bankers Trust Co., chairman of the group announced. The action of the dealers, who handle a major proportion of over-the-counter transactions in Treasury bonds, coincides with the beginning of Saturday closings by New York City commercial banks. Until May 31, when the New York Stock Exchange starts its schedule of Saturday closings for the summer, dealings in Government securities on Saturday may be concluded on the exchange.

Fridley & Hess Admit Wilbur H. Frederking

HOUSTON, TEX.—Wilbur H. Frederking has been admitted to partnership in Fridley & Hess, First National Bank Building. Mr. Frederking has been with the firm as Manager of the Municipal Department.

Caffrey to Push for Disclosure and Proxy Requirements to Unlisted

(Continued from page 6)

report their transactions in the stocks of their companies and to pay over to the companies any short-term capital gains in such stock."

Records Opposition

Says the Committee—and this is the point of interest here now—"as these proposals (the two proposals mentioned in the paragraph above) are not currently being pressed, so far as this Committee is aware, no further discussion of them appears necessary at this time. The Committee, however, wishes to register its opposition to them in case they should be revived." As explained by both Edward B. Twombly and William P. Putney 3rd of the firm of Putney Twombly Hall & Skidmore of New York, under whose guidance the report was prepared, the Committee decided to include reference to these proposals so as to be on record as being opposed to them still should the SEC ever decide to revive them. The Committee feels that it and the NAM were responsible for killing similar proposals made by the SEC before the war and the Committee wanted to make it plain that it is still very much opposed to them, they said.

Mr. Putney who investigated the proposal which would require the registration under the Securities Act of 1933 of "private offerings" said he could see no justification for such registration. The insurance companies and other large institutions which accept much of these private placings are wholly capable of evaluating the risks which they take, he thinks. He does not agree, therefore, he points out, with the I.B.A. which believes that the private offerings should be registered just as the public offerings must be.

Danger to Investors

Mr. Twombly is convinced, as many others are convinced, that extending the provisions of the Securities Exchange Act of 1934 to the larger unregistered companies would have a strong tendency to drive many unlisted securities from the over-the-counter market where they properly belong to the Big Board of the New York Stock Exchange or other exchanges. The listed and the unlisted markets are really two separate and distinct things and securities that are not nationally known do not belong on the exchanges, he feels. If the SEC were to bother to find out what happens when the stock of what was at one time a relatively small and closely-held company is given wide distribution and listed on an exchange, it would learn that the original investors in a new issue are not always protected regardless of all the information about the company that is available to them. Only the people more or less intimately acquainted with the operations or even the existence of some small company, that is, the people who, geographically, live somewhere near where the company has its plant or plants, can have any real idea of the actual worth of the company, he thinks. It is an error to confuse the functions of the listed and of the over-the-counter markets, he believes.

Corporations Handicapped

Extending provisions of the '34 Act to the unlisted field, as suggested, would also have the effect of making it difficult sometimes for corporation executives to make important decisions affecting their business, that is, it would often needlessly erect formidable hurdles for them to overcome when trying to make up their minds on the best course of action their companies should take, he

feels. In short, extension of the '34 Act to the unlisted companies would only gum up the processes of trade just that much more, he thinks. Instead of devising ways to extend controls over business, the SEC should be thinking of lifting some of the existing controls, he points out. Mr. Twombly makes these statements despite the fact, as he says, he fully appreciates the important policing functions of the SEC. Rules which may apply to the listed markets do not necessarily apply to the over-the-counter market, he feels.

Truslow to Attend Financial Meeting

Francis Adams Truslow, President of the New York Curb Exchange, will leave New York on Thursday morning, April 3rd, for Montevideo, Uruguay, where he will represent the Curb Exchange at the third plenary session of the Inter-American Council of Commerce and Production scheduled for April 8th through 11th. Mr. Truslow will fly to Montevideo, spending one day in Lima, Peru, enroute. He will also return by plane, arriving in New York about the 16th of April.

The trip will be Mr. Truslow's first as the executive head of the Curb Exchange. He spent several weeks in South America early this year prior to taking office as Curb President, and is widely acquainted there as a result of his government service in rubber procurement work as an official of the Rubber Reserve Company and the Rubber Development Corporation from 1942 to 1945.

The Montevideo conference will furnish private enterprise its first postwar opportunity for an inter-American exchange of views on problems of commerce, finance, industry, agriculture and mining.

Charles Plohn Opens Own Inv. Offices

Charles Plohn has retired as a general partner in the firm of Newborg & Co. to form his own general stock brokerage business. Mr. Plohn is a member of the New York Stock and Curb Exchanges and of eight other stock exchanges, and is also a director of several corporations including General Finance Corporation, General Phoenix Corporation, the Morris Plan Corporation of America and Universal Laboratories, Incorporated. He will be located at 30 Broad Street, New York.

Joins Daniel F. Rice & Co.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL.—Daniel F. Rice & Co., Board of Trade Building, members of the New York and Chicago Stock Exchanges, have added Richard H. Grimm, Jr. to their staff.

Joins Hunnewell Staff

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS.—Vincent P. Ryan is with Hunnewell & Co., 49 Federal Street, members of the New York and Boston Stock Exchanges.

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Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y.

June 26 filed 132,740 shares (\$1 par) common stock. Underwriters—Herrick, Waddell & Co., Inc., and First Colony Corp. Offering—To be offered publicly at \$5 a share. Proceeds—Company will receive proceeds from the sale of 68,880 shares and four selling stockholders the proceeds from the sale of 63,860 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of \$200. Of the net proceeds (\$292,940) \$50,000 will be used to pay current bank loans; about \$20,000 will be used for machinery and equipment, and the remainder for working capital.

Air-Borne Cargo Lines, Inc., New York

Feb. 14 (letter of notification) 214,890 shares (\$1 par) common. Being offered for subscription to stockholders of record Feb. 20 at \$1 a share. Rights expired 3 p.m. (EST.) March 11. Unsubscribed shares will be offered to the public through Greenfield, Lax & Co., Inc., New York. For reduction of current obligations and for working capital.

All American Industries, Inc., New York

March 17 (letter of notification) \$300,000 10-year 5% income notes and 7,500 shares of capital stock (par 25¢). Offering—To be offered in units of \$1,000 of notes and 25 shares of stock at \$1,000 per unit. Underwriter—A. W. Benkert & Co., Inc., New York. To reduce indebtedness incurred in acquisition of outstanding stock of Oklahoma Steel Castings Co.

American Broadcasting Co., Inc., N. Y.

June 27 filed 950,000 shares (\$1 par) common stock. Underwriter—Dillon, Read & Co. Inc., New York. Offering—A maximum of 100,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31. The remainder will be offered publicly. Price by amendment. Proceeds—To prepay notes payable to acquire radio station WXYZ, to construct broadcast transmitter for station KGO at San Francisco and for working capital.

American Iron & Machine Works Co., Oklahoma City, Okla. (4/16)

Feb. 24, filed \$1,000,000 of 4% sinking fund debentures, due 1967; 25,000 shares (no par) \$1.10 cumulative preferred and 60,000 shares (no par) common. Underwriters—Rauscher, Pierce & Co., Inc., Dallas, and Milton R. Underwood & Co., Houston, Texas. Price—Debentures will be offered at 100 while price of the preferred and common stocks will be supplied by amendment. Proceeds—To pay \$712,500 balance on a bank loan, retirement of \$850,000 promissory notes, and provide working capital. Business—Manufacture, sale and rental of material and equipment used in drilling and equipping oil and gas wells.

American Machinery Corp., Orlando, Fla.

Mar. 31 filed 143,000 shares (50¢ par) common. Underwriter—Name to be filed by amendment. Price by amendment. Proceeds—For general corporate purposes including reduction of bank loans and outstanding notes. Business—Manufacture of food processing equipment.

American Overseas Airlines, Inc., New York

Mar. 31 filed unspecified amounts of subordinated income debentures and stock purchase warrants for shares of \$1 par capital stock. Underwriting—None. Offering—The debentures and purchase warrants will be issued to the company's capital stockholders. The subscription ratio will be supplied by amendment. Price by amendment. Proceeds—For purchase of additional flight equipment, terminal facilities and for other corporate purposes. Business—Operation of airlines.

American Tobacco Co., New York

March 11 filed 896,404 shares (\$25 par) B common stock. Underwriter—Morgan Stanley & Co., New York. Offering—Shares are offered for subscription at \$57½ per share to common and B. common stockholders of record April 2 on basis of one share of B. common for each five shares held of record. Rights expire April 21. Unsubscribed shares will be sold to underwriters. Proceeds—Net proceeds will be added to funds for the reduction of outstanding bank loans aggregating \$85,000,000 as of Dec. 31, 1946.

American Superior Products Corp., Wilmington, Delaware

March 26 (letter of notification) 350 shares (\$100 par) common. Price—\$100 a share. No underwriting. To organize business of utilizing carbide lime for agricultural and other commercial purposes.

American Water Works Co., Inc., N. Y.

March 30, 1946 filed 2,343,105 shs. of common (par \$5) plus an additional number determinable only after the results of competitive bidding are known. Underwriters—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (jointly). Offering—Price to public by amendment.

American Zinc, Lead & Smelting Co., St. Louis

Sept. 6 filed 336,550 shares common stock (par \$1). Underwriting—No underwriting. Offering—Stock will be offered for subscription to common stockholders in the ratio of one additional share for each two shares held. Unsubscribed shares will be offered for subscription to officers and directors of the company. Price—By amendment. Proceeds—Working capital. Offering indefinitely postponed.

Arkansas Western Gas Co.

June 5 filed 16,197 shares of common stock (par \$5). Underwriters—Rauscher, Pierce & Co. Inc., and E. H. Rollins & Sons Inc. Offering—Stock will be offered to the public. Price by amendment. Shares are being sold by six stockholders.

Armour and Co., Chicago

July 12 filed 350,000 shares (no par) cumulative first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par \$5). Underwriter—Kuhn, Loeb & Co., New York. Offering—The 350,000 shares of first preference stock will be offered in exchange to holders of its 532,996 shares of \$6 cumulative convertible prior preferred stock at the rate of 1.4 shares of first preference stock for each share of \$6 prior preferred. Shares of first preference not issued in exchange will be sold to underwriters. The 300,000 shares of second preference stock will be offered publicly. The 1,355,240 shares of common will be offered for subscription to common stockholders of the company in the ratio of one-third of a new share for each common share held. Unsubscribed shares of common will be purchased by the underwriters. Price—Public offering prices by amendment. Proceeds—Net proceeds will be used to retire all unexchanged shares of \$6 prior stock and to redeem its outstanding 7% preferred stock.

George Eastwood, President, in letter to stockholders, Dec. 22 said "we have come to the conclusion it will not be necessary to issue any additional shares of common stock" as part of company's refinancing plan.

Artcraft Hosiery Co., Philadelphia

Sept. 27 filed 53,648 shares (\$25 par) 4½% cumulative convertible preferred and 150,000 shares (\$1 par) common. It also covers shares of common reserved for issuance upon conversion of preferred. Underwriter—Newburger & Hano, Philadelphia. Price—\$25.50 a preferred share and \$12 a common share. Proceeds—Company will receive proceeds from the sale of all of the preferred and 100,00 shares of common. The remaining 50,000 shares of common are being sold by three stockholders. Estimated net proceeds of \$2,300,000 will be used by the company to pay off bank notes of about \$1,100,000 and to purchase additional machinery and equipment in the amount of \$1,200,000. Offering date indefinite.

Atlantic City (N. J.) Electric Co.

March 19 filed 522,416 shares (\$10 par) common, being offered by American Gas & Electric Co. Underwriters—To be determined by competitive bidding. Probable bidders include: The First Boston Corp., and Drexel & Co. (jointly); Shields & Co., and White, Weld & Co. (jointly); Dillon, Read & Co., Inc., and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Union Securities Corp. Price—To be determined by competitive bidding. Proceeds—The offering is part of American's plan to dispose of its holdings of 1,150,000 outstanding shares of Atlantic City. The shares remaining after the public offering will be distributed as dividends on American's common stock. This dividend policy will become effective June 15 and will continue to the end of 1948.

Automotive Parts Co., Columbus, Ohio

March 27 (letter of notification) \$300,000 4% sinking fund debentures, due 1962. To be sold at \$500 and \$1,000 principal amount. Underwriter—The Ohio Co., Columbus. For payment of bank notes and for additional working capital.

Bachmann Uxbridge Worsted Corp.

Nov. 27 filed 45,000 shares of 4% preferred stock (par \$100) and 200,000 shares of common stock (par \$1). Underwriters—Kidder, Peabody & Co. and Bear, Stearns & Co. Proceeds—Will go to selling stockholders. Price by amendment. Offering date indefinite.

Beaunit Mills, Inc., New York

Sept. 27 filed 180,000 shares (\$2.50 par) common. Underwriter—White, Weld & Co., New York. Price—By amendment. Proceeds—Of the total, 140,000 shares are being sold by St. Regis Paper Co., New York, and the remaining 40,000 shares are being sold by I. Rogosin, President of Beaunit Mills, Inc.

Berbiglia, Inc., Kansas City, Mo.

Sept. 12 (letter of notification) 41,000 shares of 5% cumulative convertible \$6 par preferred. Offering price \$6 a share. Underwriter—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo. Offering postponed indefinitely.

Berkey & Gay Furniture Co., Grand Rapids, Mich.

Feb. 3 filed 733,575 shares (\$1 par) capital stock. Underwriting—None. Offering—Company said all of the shares are issued and outstanding. The purpose of the registration statement is to enable holders to effect sales by use of the prospectus.

Berkey & Gay said the shares had been sold in 1944 and 1945 to a group of about 50 persons who represented they were purchasing the shares for investment and not for distribution.

So far, 231,204 shares have been sold in the open market and the Commission had raised the question as to whether such sales had the effect of making the entire offering public. The Commission staff stated that registration is required if any of the remaining 733,575 shares are to be sold. Price—At market. Proceeds—Go to selling stockholders.

Black, Sivalls & Bryson, Inc., Kansas City, Mo.

March 27 filed 72,000 shares (\$1 par) common. Underwriter—F. S. Yantis & Co. and H. M. Byllesby & Co., both of Chicago. Offering—Shares are part of the 99,000 shares purchased from the company by F. S. Yantis & Co. and H. M. Byllesby & Co. who will receive all of the proceeds. Price by amendment. Proceeds—Proceeds go to the selling stockholders. Business—Manufacture of tanks for oil and other industries.

Blumenthal (Sidney) & Co. Inc., New York

Aug. 30 filed 119,706 shares (no par) common and subscription warrants relating to 30,000 shares thereof. Underwriting—None. Proceeds—For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares. Although it was proposed to offer the stock for subscription to stockholders at \$10 per share, company on Sept. 20 decided to withhold action.

Bobbi Motor Car Corp., Birmingham, Ala.

Mar. 3 (letter of notification) 60,000 shares (\$1 par) common. Price—\$5 a share. Company proposes to offer 12,997 shares of common in exchange for its unsecured promissory notes in the amount of \$64,985 held by distributors of company's proposed products. Underwriting, the stock will be sold by officers and directors of the company. For completion of display automobiles now under construction.

Bookcraft, Inc., Milwaukee

March 27 (letter of notification) 250 shares (\$100 par) preferred. Price—\$100 a share. No underwriting. For purchase of machinery and equipment.

(Continued on page 54)

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NEW ISSUE CALENDAR

(Showing probable date of offering)

April 7, 1947

Chicago Indianapolis & Louisville
Noon (CST) ----- Equip. Trust Cdfs.

April 8, 1947

Georgia Hardwood Lumber Co. ----- Common

April 10, 1947

Crown Capital Corp. ----- Common

April 15, 1947

Chesapeake & Ohio Ry. Noon (EST) --- Eq. Tr. Cdfs.
Container Corp. of America ----- Preferred
Erie RR. ----- Equip. Tr. Cdfs.
Rosslyn Loan Co. ----- Preferred

April 16, 1947

American Iron & Machine Works
Company ----- Debs., Pfd., Common
Cohart Refractories ----- Common
Pitney-Bowes Inc. ----- Preferred

April 21, 1947

Ferguson (Harry), Inc. ----- Pfd. and Com.
Hamilton Mfg. Co. ----- Common
Hawaiian Electric Co., Ltd. ----- Bonds
Morris Plan Corp. of America ----- Debentures
United States Rubber Co. ----- Debentures

(Continued from page 53)

• Borg (George W.) Corp., Delavan, Wis.

March 26, (letter of notification) 1,000 shares (\$10 par) capital stock. Price (market) estimated at \$12 a share. Underwriter—Paul H. Davis & Co., Chicago. Being sold on behalf of Thomas B. Gibbs, Janesville, Wis., a director.

Boston Store of Chicago, Inc.

Sept. 10 filed 30,000 shares (\$50 par) 5% cumulative preferred and 500,000 shares (\$1 par) common. Underwriters—Paul H. Davis & Co. and Stroud & Co., Inc. Offering—Preferred will have non-detachable stock purchase warrants for purchase of 30,000 shares of common stock of the total common, 375,000 shares will be offered for sale for cash. 30,000 shares are reserved for issuance upon exercise of warrants attached to preferred and 95,000 shares are reserved for issuance upon exercise of outstanding warrants. Price—By amendment. Proceeds—Net proceeds, together with other funds, will be used to pay the company's 2% subordinated note in the principal amount of \$5,268,750 and accrued interest. Offering date indefinite.

Bowman Gum, Inc., Philadelphia

Sept. 27 filed 268,875 shares (\$1 par) common. Underwriter—Van Alstyne, Noel & Co., New York. Price—By amendment. Proceeds—Stock is being sold by shareholders who will receive proceeds.

Braunstein (Harry), Inc., Wilmington, Del.

Sept. 25 filed 12,500 shares (\$25 par) 4½% cumulative convertible preferred stock and 50,000 shares (20¢ par) common stock. Underwriter—C. K. Pistell & Co., Inc., New York. Price—\$25 a share for preferred and \$11 a share for common. Proceeds—7,000 preferred shares are being sold by company, the remaining 5,500 preferred shares and all of the common are being sold by present stockholders. Net proceeds to the company, estimated at \$147,500, will be used to prepay to the extent possible outstanding \$149,300 mortgage liabilities. Offering date indefinite.

• Brayton Flying Service, Inc., Robertson, Mo.

March 24 (letter of notification) 50,000 shares (\$1 par) 27½ cent cumulative, convertible preferred and 50,000 shares (10¢ par) common. Price—\$5 per unit, consisting of one share of each. Underwriter—White and Co., St. Louis, Mo. For expansion of operating facilities and for working capital.

• Brook Haven Fur Farm, Inc., Wilmington, Del.

Mar. 27 (letter of notification) 100,000 shares of Class A common. Price—\$2 a share. Underwriter—L. B. Eberhardt & Co., of Wilmington. For purchase of mink breeders and other business purposes.

Brooklyn (N. Y.) Union Gas Co.

May 3 filed 70,000 shares of cumulative preferred stock (\$100 par). Underwriters—To be filed by amendment. Bids Rejected—Company July 23 rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. and Mellon Securities Corp. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

Burrillville Racing Association, Pawtucket, R. I.

Feb. 27 filed 38,500 shares (no par) class A stock. Underwriter—Barrett & Co., Providence, R. I. Offering—

The shares will be offered for subscription to class A stockholders at \$20 a share, on the basis of one share for each share held. Unsubscribed shares will be offered publicly at \$20 a share. Price—\$20 a share. Proceeds will be used to finance the cost of completing a race track at Lincoln, R. I.

• Caddie-Croft, Inc., New York

March 31 (letter of notification) 100 shares of preferred (par \$100) and 1,000 shares of common (no par) of the common 665 shares are to be offered to the organizers for services. The balance of the common, 335 shares, and the 100 preferred shares will be offered in units of 2 common shares and 1 preferred at \$500 per unit. Proceeds for initial capital, costs of organization, etc.

California Oregon Power Co.

March 26 filed 60,000 shares (\$100 par) cumulative preferred and 390,000 shares (\$20 par) common. Underwriters—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co.; Kuhn, Loeb & Co., and Smith, Barney & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, and Bear, Stearns & Co. (jointly). California Oregon will sell all of the preferred and 30,000 shares of the common, Standard Gas & Electric Co. (parent), which is planning to sell its entire common stock holdings in California Oregon, will sell the remaining 360,000 shares of common. The subsidiary plans to amend its charter to create the new preferred stock and to reclassify and increase the authorized common. The 312,000 shares of \$25 par common of California Oregon present, outstanding are held by Standard Gas. They will be reclassified into 390,000 shares (\$20 par) common. Standard Gas will make a capital contribution of 30,000 shares to California Oregon. Proceeds—Standard Gas will use the proceeds to reduce its bank loan notes. California Oregon will apply its proceeds to redeem 45,761 shares (\$100 par) 6% preferred, series of 1927, at \$110 a share. The balance will be used to reimburse its treasury for previous additions and improvements.

• Cal-Tex Oil Corp., Fort Worth, Texas

March 24 (letter of notification) 47,850 shares (\$2 par) common on behalf of the company and 2,250 shares of common on behalf of Cliff Groves, in payment of oil and gas leases purchased from him. Price—\$2 a share. No underwriting. To purchase oil and gas leases, drilling equipment and for conduct of oil business.

• Carpenter Paper Co., Omaha

March 27 (letter of notification) 550 shares of common. Price—\$55 a share. Underwriter—Kirkpatrick-Pettis Co. For working capital.

• Carpenter Paper Co., Omaha, Neb.

Mar. 31 filed 10,000 shares (\$1 par) common. Underwriting—None. Offering—Shares will be offered directly to officers and employees of the company at \$45 a share. Purchasers must agree not to transfer the shares for a period of five years. Price—\$45 a share. Proceeds—To be added to general funds for purchase of additional equipment. Business—Warehousing of paper and paper products.

Carney Fasteners, Inc., Columbia, S. C.

Jan. 13 (letter of notification) 32,950 shares (\$5 par) capital stock. Price—\$6.50 a share. Underwriter—Mitchell Securities Corp., New York. For equipment and working capital.

Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario

June 24 filed 400,000 shares of common stock. Underwriter—No underwriters. Offering—To the public at \$1 a share in Canadian funds. Proceeds—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

Central Mills, Inc., Dunbridge, O.

March 13 (letter of notification) \$300,000 of first mortgage bonds. Price—\$500 per unit. No underwriting. For retirement of preferred stock, for purchase of two alfalfa dehydrating plants from Logan County Dehydrators, Inc. and for retirement of latter's preferred stock.

Central Soya Co., Inc., Fort Wayne, Ind.

Aug. 21 filed 90,000 shares (no par) common. Underwriter—None. Offering—Common shares initially will be offered for subscription to common stockholders at rate of one share for each 7½ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. Proceeds—Working capital, etc. Offering indefinitely postponed.

• Claude Neon, Inc., New York

March 28 filed 223,954 shares (\$1 par) common. Underwriting—None. Offering—Shares will be offered for subscription to common stockholders on basis of one share for each 10 shares held. Price by amendment. Proceeds—To finance airline operations and acquisition and development of oil properties. Company also plans to advance funds to Summit Airways, Inc., of whose stock it owns 61%. Business—Airline operations and oil business.

Cleveland (O.) Electric Illuminating Co.

Feb. 21, filed 1,847,908 shares (no par) common. Offering—All of the shares are owned by The North American Co., which is offering 1,714,524 shares to common stockholders of North American of record March 19 at \$15 per share to the extent of one Cleveland for every five North American shares held. Rights expire May 27. The remaining 133,383 shares

are to be sold, probably through competitive sale. Probable bidders include Dillon, Read & Co. Inc.; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co. and W. C. Langley & Co. (jointly); Otis & Co.; Blyth & Co., Inc.; Smith, Barney & Co. Proceeds—For prepayment of bank loan notes of North American.

Clinton Machine Co., Clinton, Mich.

Feb. 17 (letter of notification) 10,000 shares (\$1 par) stock on behalf of Donald D. Thomas, President of the company. Price—\$6 a share. Underwriter—Smith, Hague & Co., Detroit. Proceeds go to the selling stockholder.

Clinton Machine Co.

Feb. 24 (letter of notification) 6,500 shares of common stock (par \$1) on behalf of selling stockholders. Underwriters—F. H. Koller & Co. Price—\$6 a share.

Columbia Machinery & Engineering Corp., Hamilton, O.

Feb. 24 (letter of notification) 24,000 shares of common on behalf of James C. Hart. Price—At market. To be sold through Jackson & Co. and Flannery & Co., both of Youngstown, Ohio. Proceeds go to the selling stockholder.

Community Frosted Foods Co., Philadelphia

March 14 (letter of notification) 25,000 shares of class A common stock (par 10¢). Price—\$5 per share. Underwriting—none. Additional working capital. Frederick Peirce & Co., Philadelphia has guaranteed the payment of semi-annual dividends of 12½ cents each in Oct., 1947 and April 1948.

Container Corp. of America, Chicago (4/15)

March 21 filed 100,000 shares (\$100 par) cumulative preferred stock. Underwriter—Kidder, Peabody & Co., New York. Price—By amendment. Proceeds—To be added to general cash funds for payment of a portion of the company's program for additions and improvements.

• Continental-United Industries Co., Inc., N. Y.

Mar. 28 filed 152,500 shares (\$1 par) common. Underwriters—Aronson, Hall & Co., and P. W. Brooks & Co., New York. Offering—Of the total 102,500 shares are being offered by selling stockholders. Price by amendment. Proceeds—The company, which is selling 50,000 shares, will apply proceeds to general funds. Business—Manufacture of diversified line of metal products.

• Cohart Refractories Co., Louisville, Ky. (4/16)

Mar. 28 filed 182,520 shares (\$5 par) common. Underwriters—Harriman Ripley & Co., and Lazard Freres & Co., both of New York. Price by amendment. Proceeds—The shares are being sold by Corning Glass Works, New York, and represent 88.8% of the total outstanding common of the company. Business—Manufacture of electrocast refractories principally for use in the lining of furnaces of the glass industry.

Crawford Clothes, Inc., L. I. City, N. Y.

Aug. 9 filed 300,000 shares (\$5 par) common stock. Underwriters—First Boston Corp., New York. Price by amendment. Proceeds—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.

Cribben & Sexton Co., Chicago

March 21 (letter of notification) a maximum of 5,000 shares (\$5 par) common on behalf of Robert S. Caldwell, a director of company. Underwriters—Swift Henke & Co., and Paul H. Davis Co., Chicago.

Crown Capital Corp., Wilmington, Del. (4/10)

Jan. 22 filed 250,000 shares (\$1 par) class A common. Underwriter—Hodson & Co. Inc., New York. will act as selling agent. Price—\$4.25 per share. Proceeds—Net proceeds will be used as capital for company's subsidiaries engaged in the small loan or personal finance business.

• Cumberland Valley Poultry & Egg Auction, Inc., Bethlehem, Pa.

April 1 (letter of notification) 1,500 shares of class B non-voting stock (par \$10). Price—\$10. Underwriting, none. Company intends to sell the stock to farmers and tradesmen who buy and sell products handled by the company. Proceeds for operation and expansion.

Cyprus Mines, Ltd., Montreal, Canada

May 31 filed 500,000 shares of common stock (par \$1). Underwriters—Sabiston-Hughes, Ltd., Toronto. Offering—Shares will be offered to the public at 75 cents a share. Proceeds—Net proceeds, estimated at \$300,000, will be used for mining operations.

Detroit Typesetting Co., Detroit, Mich.

Sept. 25 filed 70,920 shares (\$1 par) common. Underwriter—C. G. McDonald & Co., Detroit. Price—\$5.50 a share. Proceeds—Stock is being sold by six shareholders who will receive proceeds. Boston. For working capital.

• Dodge & Cox Fund, San Francisco

Mar. 31 filed 20,000 beneficial shares. Underwriting—Dodge & Cox, San Francisco, investment managers. Price based on market. Proceeds—For investment. Business—Investment business.

Douglas Oil Co. of California, Clearwater, Calif.

March 13 (letter of notification) 11,500 shares (\$25 par) 5¼% cumulative convertible first preferred. To be offered at a maximum of \$26 a share. Underwriters—

Pacific Co. of California, Cruttenden & Co., Pacific Capital Corp., all of Los Angeles; Brush Slocumb & Co., San Francisco; and Adele W. Parker, Clearwater. To purchase 493 shares of capital stock of G. H. Cherry, Inc. out of a total of 625 such shares presently outstanding.

Duraloy Co., Scottdale, Pa.

March 12 (letter of notification) 25,000 shares (\$1 par) common on behalf of the issuer, 12,500 shares (\$1 par) common for the account of Thomas R. Heyward, Jr., and 12,500 shares (\$1 par) common for the account of Mrs. Thomas R. Heyward, Jr. Price—At market (approximately \$3.25 per share). Underwriter—Johnson & Johnson, Pittsburgh, Pa., and The First Cleveland Corp., Cleveland. The company will use its proceeds for working capital.

East Coast Electric Co., West Point, Va.

Mar. 28 filed \$1,300,000 of first mortgage bonds, Series A, due 1977, and 60,000 shares of \$10 par common. Underwriters—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc. (bonds only); Harris, Hall & Co. (Inc.); Otis & Co.; Kidder, Peabody & Co. Offering—To the public. The registration showed that \$800,000 of the bonds and all of the common stock are being offered by East Coast Public Service Co., parent of the registrant. Proceeds—East Coast Electric will use proceeds from the sale of \$500,000 of bonds toward the payment of outstanding first mortgage notes and repayment of bank loans. Business—Public utility.

Ebaloy, Inc., Rockford, Ill.

March 12 (letter of notification) \$125,000 of 10-year 2½% subordinated debentures, due 1957. Price—\$25 a unit. No underwriting. To retire current liabilities and for working capital.

Edelbrew Brewery, Inc., Brooklyn, N. Y.

Dec. 31 filed 5,000 shares (\$100 par) 5% non-cumulative preferred. Underwriters—None. Offering—To be offered at par to customers, officers and employees of the company. Proceeds—For corporate purposes including modernization and improvement of the manufacturing plant and machinery and equipment.

Electronic Engineering Inc., Spokane, Wash.

March 28 (letter of notification) 2,500 shares of class B common and 250 shares of preferred. To be sold through Lee Klos, President. For payment of accounts payable. For working capital and for purchase of goods for sale.

Elkhorn-Beaverhead Mines Co., Baltimore, Md.

March 12 (letter of notification) \$250,000 first mortgage 10-year 5% bonds, and 250,000 shares (10 cents par) common. Price—\$550 per unit consisting of \$500 bond and 500 shares of common. No underwriting. For mine development.

Empire Copper Corp., Douglas, Ariz.

March 27 (letter of notification) 600,000 shares of common. Price—50 cents a share. No underwriting. For operating purposes.

Equipment Finance Corp., Chicago

Feb. 28 filed 8,025 shares (\$100 par) 4% cumulative preferred, series 2, and 25,070 shares (\$10 par) common. Underwriting—None. Offering—Company anticipates that the entire offering will be sold to its employees and officers. Price—Par. Proceeds—Estimated proceeds of \$1,045,000 will be applied to working capital.

Federal Electric Products Co., Newark, N. J.

Feb. 26, filed 150,000 shares (\$1 par) common class A. Underwriter—E. F. Gillespie & Co., Inc., New York. Price—\$7.25 a share. The registration states principal stockholder has granted the underwriters an option to purchase 45,000 shares of class B (\$1 par) common at \$7.25 a share, exercisable for a period of three years. Proceeds—Proceeds of approximately \$870,000, together with \$755,000 of other bonds, will be used to repay the balance of \$34,000 of a property mortgage, to pay off loans in the amount of \$1,295,000 to Bankers Commercial Corp., New York, and for additional working capital.

Ferguson (Harry), Inc., Detroit (4/21)

Mar. 31 filed 100,000 shares (\$50 par) 4¼% cumulative preferred and 250,000 shares (\$1 par) common. Underwriters—F. Eberstadt & Co., Inc., New York, and Watling, Lerchen & Co., Detroit. Price by amendment. Proceeds—To equip and improve recently acquired Cleveland, O., plant. Business—Manufacture of farm machinery.

Fidelity Fund, Inc., Boston

March 28 filed 300,000 shares (\$5 par) capital stock. Underwriters—Paul H. Davis & Co., Chicago; and The Crosby Corp., Boston. Price based on market. Proceeds—For investment. Business—Investment business.

Films Inc., New York

June 25, filed 100,000 shares (\$5 par) class A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. Each share of class A stock is initially convertible into 2 shares of common stock. Underwriters—Herrick, Waddell & Co., Inc., New York. Offering—To be offered publicly at \$8.10 a unit consisting of one share of class A stock and one share of common stock. Proceeds—\$201,000 for retirement of 2,010 shares (\$100 par) preferred stock at \$100 a share; remaining proceeds, together with other funds, will be used for production of educational

Fizzadent Corp., Jackson Heights, N. Y.

Mar. 27 (letter of notification) 15,000 shares (10c par) common. Price—\$1.50 a share. No underwriting. For additional working capital.

Foreman Fabrics Corp., New York

July 29 filed 110,000 shares (\$1 par) common stock, all outstanding. Underwriters—Cohu & Torrey. Price by amendment. Issue may be withdrawn.

Foremost Dairies, Inc., Jacksonville, Fla.

March 28 filed 70,000 shares (\$50 par) 4¼% series cumulative preferred stock with common stock purchase warrants. Underwriters—Paine, Webber, Jackson & Curtis; and Allen & Co., both of New York. Offering—65,500 shares will be offered to the public at a price to be supplied by amendment. The remaining 4,500 shares of stock are not being underwritten and will be offered to certain of its officers and one large stockholder who have indicated their willingness to surrender shares of 6% preferred stock of the company held by them in exchange for shares of new preferred. Part of the shares also are being offered in satisfaction of an obligation to pay \$57,000 in connection with the purchase of a plant in Jacksonville, Fla. Price by amendment. Proceeds—For redemption of 25,233½ shares of 6% preferred and for other corporate purposes. Business—Dairy business.

Fresh Dry Foods, Inc., Columbia, S. C.

Aug. 30 filed 450,000 shares (10c par) common. Underwriter—Newkirk & Banks, Inc. Offering—Of the total company is selling 350,000 shares and two stockholders, Roland E. Fulmer and Louis H. Newkirk, Jr., are selling the remaining 100,000 shares. Price—\$6 a share. Proceeds—For purchase of sweet potatoes, plant expansion, additional storage facilities, research and development work and working capital.

Georgia Hardwood Lumber Co. (4/8)

March 14 filed 100,000 shares (\$1 par) common. Underwriters—Reynolds & Co., New York, and Equitable Securities Corp., Nashville, Tenn. Price—\$8.20 a share. Proceeds—To obtain long-term cutting contracts on large tracts of timber, to construct additional manufacturing units and for other expansion purposes.

Glen Industries Inc., Milwaukee, Wis.

July 31 filed 50,000 shares of \$1.25 cumulative convertible preferred stock series A (\$20 par) and 150,000 shares (10c par) common, all issued and outstanding and being sold by eight selling stockholders. Underwriters—Van Alstyne Noel & Co. Price by amendment. Proceeds—To selling stockholders. Offering temporarily postponed.

Glenair Mining Co. Ltd., Toronto, Can.

Oct. 2 filed 300,000 shares (\$1 par) stock. Underwriter—Mark Daniels & Co., Toronto. Price—40 cents a share (Canadian Funds). Proceeds—For mine development.

Glensder Textile Corp., New York

Aug. 28 filed 355,000 shares (\$1 par) common, of which 55,000 shares are reserved for issuance upon the exercise of stock purchase warrants. Underwriter—Van Alstyne, Noel & Co. Offering—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at \$11 a share. Price by amendment. Offering temporarily postponed.

Griggs, Cooper & Co., St. Paul, Minn.

Sept. 3 (letter of notification) 12,000 shares (\$1 par) common. Underwriters—Kalman & Co., Inc., St. Paul. Price—\$25 a share. Proceeds—For improvement and modernization program. Offering indefinitely postponed.

Grolier Society, Inc., New York

July 29 filed 18,500 shares at \$4.25 cumulative preferred stock (\$100 par), with non-detachable common stock purchase warrants entitling registered holders of shares of the \$4.25 preferred to purchase at any time 64,750 shares of common stock at \$16 a share at the ratio of 3½ common shares for each preferred share held; and 120,000 shares of \$1 par common stock. Underwriters—H. M. Byllesby and Co., Inc. withdrew as underwriters. Offering—Underwriters to purchase from the company 18,500 shares of preferred and 20,000 shares of common; and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. Prices, preferred \$100 a share; common \$14 a share. Proceeds—To retire \$6 cumulative preferred, pay notes, discharge a loan. Indefinitely postponed.

Growth Industry Shares, Inc., Chicago

Mar. 31 filed 100,000 shares (no par) common. Underwriting—None stated. Price based on market. Proceeds—For investment. Business—Investment business.

Gulf States Utilities Co., Baton Rouge, La.

Jan. 20 filed 1,909,968 shares (no par) common. Underwriter—None. Offering—The shares will be offered for subscription to common stockholders of Gulf States' parent, Engineers Public Service Co., New York. The subscription basis will be one share of Gulf States stock for each share of Engineers common held. Price—\$11.50 a share. Proceeds—Purpose of offering is to carry out a provision of dissolution plan of Engineers approved by the Commission.

Hammond Instrument Co., Chicago

Aug. 8 filed 80,000 shares (\$1 par) common. Underwriter—Paul H. Davies & Co., Chicago. Price by amendment. Proceeds—Net proceeds will be used to redeem its outstanding 6% cumulative preferred stock at an

estimated cost of \$213,258, exclusive of accrued dividends. It also will use approximately \$402,000 toward the purchase of a manufacturing plant in Chicago; balance for working capital. Offering date indefinite.

Hamilton Manufacturing Co. (4/21)

Mar. 31 filed 100,000 shares (\$5 par) common. Underwriter—A. C. Allyn & Co., Chicago, and Loewi & Co., Milwaukee. Price by amendment. Proceeds—To retire on May 1 company's outstanding preferential participating stock. Business—Professional furniture and equipment.

Hartfield Stores, Inc., Los Angeles

June 27 filed 100,000 shares (\$1 par) common stock. Underwriters—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. Offering—To be offered to the public at \$8 a share. Proceeds—Company is selling 60,000 shares and stockholders are selling 40,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores. Offering temporarily postponed.

Hawaiian Electric Co., Ltd., Honolulu (4/21)

Mar. 31 filed \$5,000,000 first mortgage bonds, series F, due 1977. Underwriters—Dillon, Read & Co., Inc., New York, and Dean Witter & Co., San Francisco. Price by amendment. Proceeds—To repay \$3,000,000 of short term promissory notes and to reimburse its treasury for previous construction expenditures. Business—Public utility.

Helicopter Air Transport, Inc., Camden, N. J.

March 14 filed 270,000 shares of capital stock. Underwriter—Strauss Bros., Inc., New York. Price—\$3.50 a share. Proceeds—Net proceeds will be used to pay obligations, purchase helicopters and equipment and for working capital.

Houston Lighting & Power Co.

Mar. 25 filed 259,002 shares of common. Underwriting—none. Offering—Company will issue warrants to its common stockholders of record on April 25 giving them the right to subscribe for one share of common for each 4 shares held at \$37.50 a share. It will on April 16 file with the Secretary of State of Texas an amendment to its charter converting its then outstanding 517,999 shares of common into 1,035,998 shares and to convert its then authorized 600,000 shares of common into 1,200,000 shares and to increase the total authorized common to 2,000,000 shares. Unsubscribed shares may be offered publicly through underwriters. Proceeds—To be added to working capital for general corporate purposes, including construction of additions to its system.

Hy-Grade Supply Co., Oklahoma City

Dec. 3 (letter of notification) 54,350 shares of cum. conv. preferred and 50,000 common stock purchase warrants. Price—\$5.50 a preferred share and 2 cents a warrant. Underwriter—Amos Treat & Co., New York. It is expected that a full registration will be filed later with the SEC.

Illinois Power Co., Decatur, Ill.

June 17, filed 200,000 shares (\$50 par) cumulative preferred stock and 966,870 shares (no par) common stock. Underwriters—By competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; W. E. Hutton & Co. Proceeds—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

Income Foundation Fund, Inc., Baltimore, Md.

March 28 filed 500,000 shares (10c par) capital stock. Underwriter—None. Price based on market. Proceeds—For investment. Business—Investment business.

International Dress Co., Inc., New York

Aug. 28 filed 140,000 shares of common stock (par \$1). Underwriter—Otis & Co. Offering—Price \$10 per share. Proceeds—Selling stockholders will receive proceeds. Offering date indefinite.

Investors Syndicate of America, Inc., Minneapolis, Minn.

March 27 filed \$100,000,000 face amount of series 15 certificates and \$80,000,000 face amount of Series 20 certificates. Underwriter—Investors Syndicate, Minneapolis. Price based on market. Proceeds—For investment. Business—Investment business.

Iowa-Illinois Gas & Electric Co.

Feb. 15 filed \$22,000,000 of first mortgage bonds due 1977. Underwriter—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.; Harriman Ripley & Co.; Harris, Hall & Co. (Inc.). Proceeds—Part of the proceeds will be used to pay mortgage debt of \$10,578,000 and balance will be added to general funds.

Jahn & Ollier Engraving Co.

Feb. 26, filed 102,000 shares (\$1 par) common. Underwriter—Sills, Minton & Co., Inc., Chicago. Price—By amendment. Proceeds—The shares, which constitute approximately 48.5% of company's outstanding common stock, are being sold to stockholders.

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• **Kaaba Silver-Lead Mines Inc., Nighthawk, Wash.**
March 27 (letter of notification) 650,000 shares (10c par) common, of the total 300,000 shares will be offered publicly at 25 cents a share. The remaining shares are to be issued for payment of notes and other debt. The shares to be offered publicly are to be issued through officers and directors of the company. For exploration and mine development.

• **Kennedy Co., Washington, D. C.**
March 24 (letter of notification) preorganization subscriptions for 40,000 shares (\$1 par) Class A common and 4,000 shares (no par) Class B common. Price—\$1 per share of Class A stock and 10 cents per share of Class B stock. No underwriting. To establish and operate automobile business.

• **Latin American Airways Inc., New York**
March 7 (letter of notification) 21,250 shares (\$1 par) common, on behalf of Henry E. Rohlsen, Bronx, N. Y. Price—\$2.50 a share. No underwriting. Proceeds go to the selling stockholder.

• **Maguire Industries, Inc., New York**
March 7 (letter of notification) 300,000 shares of common stock (par \$1). Underwriting, none. Price—\$1 per share. Stock will be offered for subscription to stockholders of record March 29 in ratio of 1 new share for each 3 shares held. Rights expire 3 p.m. (EST) April 21. Subscriptions payable at Registrar & Transfer Co., 21 Rector St., New York. Proceeds for working capital.

• **Massachusetts Investors Trust, Boston**
March 19 filed 696,178 shares of beneficial interest. Underwriter—Vance, Sanders & Co. Boston. Price—Based on market. Proceeds—For investment.

• **Mays (J. W.) Inc., Brooklyn, N. Y.**
Feb. 28 filed 150,000 shares (\$1 par) common. Underwriter—Burr & Co., Inc., New York. Price by amendment. Proceeds—Of the total, 100,000 shares are being sold by seven stockholders. The remaining 50,000 shares are being sold by the company, which will use its proceeds for general corporate purposes.

• **Mercantile Acceptance Corp. of California, San Francisco**
Mar. 26 (letter of notification) \$146,900 10-year debentures, 4% series. To be sold at face amounts of \$100, \$500 and \$1,000. Underwriter—Guardian Securities Corp., San Francisco. For payment of short term notes or for other corporate purposes.

• **Michigan Consolidated Gas Co., Detroit**
March 7 filed \$6,000,000 first mortgage bonds, due 1969. Underwriting—To be determined by competitive bidding. Probable bidders—Dillon, Reed & Co., Inc.; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.). Price—To be determined by competitive bidding. Proceeds—Net proceeds, together with funds to be received from the sale of additional common shares to Michigan's parent, American Light & Traction Co., will be used to finance its property construction and equipment program and to reimburse its treasury for previous construction expenditures.

• **Mission Appliance Corp., Los Angeles**
March 25 filed 58,000 shares (\$5 par) common. Underwriter—Lester & Co., Los Angeles. Price—\$11.50 a share. Proceeds—For construction of new plant building and an office building and for purchase of machinery and equipment. Business—Manufacture of gas-fired water heaters.

• **Morris Plan Corp. of America, N. Y. (4/21)**
Mar. 31 filed \$5,000,000 of debentures. Underwriter—Eastman, Dillon & Co., New York. Price by amendment. Proceeds—To retire outstanding bank loans in amount of \$4,080,000, with the balance applied to general corporate purposes. Business—Consumer credit and personal loans.

• **Motors Securities Co., Inc., Shreveport, La.**
Feb. 19 filed \$5,000,000 collateral trust notes. Underwriting—No underwriting. Price—\$97.65 a unit. Proceeds—For purchase of automobile time sales paper which is its principal business as a finance company.

• **Muller (W.) & Co., Inc., New Britain, Conn.**
March 25 (letter of notification) 20,000 shares of common. Price—\$5 a share. No underwriting. To purchase rare stamps and to provide additional working capital.

• **Murphy (G. C.) Co., McKeesport, Pa.**
June 13 filed 250,000 shares of common stock (par \$1). Underwriter—Smith, Barney & Co. Price by amendment. Proceeds—Redemption of outstanding 4 1/4% preferred stock at \$109 a share plus dividends. Indefinitely postponed.

• **Mutual Plywood Corp., Oakland, Calif.**
March 11 filed 7,000 shares of 6% cumulative preferred stock (par \$100) and 10,000 shares of common stock (par \$100). Underwriting none. Price—Preferred \$100; common \$100. Offering—Securities will be offered mainly to employees. Proceeds—For construction of plant, purchase of machinery, etc.

• **National Gas & Oil Corp., Newark, Ohio**
March 28 filed \$1,750,000 of 15-year sinking fund debentures, due 1962. Underwriter—Name by amendment. Probable Underwriters—G. H. Walker & Co. Price by

amendment. Proceeds—To redeem first mortgage bonds, to repay Freedom-Valvoline Oil Co. the balance of advances made by that company to the corporation and to add to general funds for payment of costs of construction and development work. Business—Production and sale of natural gas and crude oil.

• **National Underwriters Finance Corp., Denver, Colo.**

March 28 (letter of notification) 1,500 shares (\$100 par) cumulative convertible preferred and 5,000 shares (no par) common. No underwriting. For working capital and corporate purposes.

• **Nesbitt Fund Inc., New York**

March 12 filed 300,000 shares (\$1 par) capital stock. Underwriter—John G. Nesbitt & Co., New York. Price—Based on market. Proceeds—For investment. The company estimates an aggregate offering price of \$2,952,000 based on \$9.84 a share which would have been the proposed offering price on Feb. 28.

• **New Brunswick Oilfields, Ltd., Fredericton, New Brunswick, Canada**

April 2 filed 150,000 shares (no par) capital stock. Underwriters—William D. Elwell, Boston, and W. C. Pittfield & Co., Ltd., Montreal. Price—\$5.75 a share. Proceeds—Proceeds, together with \$300,000 bank loan and \$300,000 from the Shell Co., will be used towards the purchase of the New Brunswick Properties of New Brunswick Gas & Oilfields, Ltd. Business—Exploration and development of oil and gas wells.

• **Newburgh Steel Co., Inc., Detroit**

Aug. 2 filed 30,000 shares of 6% cumulative convertible preferred stock (par \$10), and 30,000 common shares (\$1 par). Underwriter—Charles E. Bailey & Co., Detroit. Shares are issued and outstanding and are being sold by Maurice Cohen and Samuel Friedman, President and Secretary-Treasurer, respectively, each selling 15,000 shares of preferred and 15,000 shares of common. Price—\$10 a share for the preferred and \$6 a share for the common.

• **New Jersey Water Co., Haddon Heights, N. J.**

March 24 (letter of notification) 2,950 shares, \$4.25 series A preferred stock (no par). Price—\$101 per share. Underwriter—E. H. Rollins & Sons, Inc. Proceeds—To retire 7% preferred stock.

• **Northern Natural Gas Co., Omaha, Neb.**

March 13 filed \$10,000,000 of serial debentures, due 1956 to 1967. Underwriters—To be determined by competitive bidding. Probable bidders include Dillon, Read & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. Price—To be determined by competitive bidding. Proceeds—Net proceeds will be used to construct additional property and facilities.

• **Northern States Power Co. (Wis.)**

March 24 filed \$19,000,000 first mortgage bonds, series due April 1, 1977. Underwriters—To be determined by competitive bidding. Probable bidders include Smith, Barney & Co.; The First Boston Corp.; Harriman Ripley & Co.; Halsey, Stuart & Co. Inc. Proceeds—Company will apply \$17,866,187 of proceeds toward the redemption of \$16,975,000 first mortgage bonds, 3 1/2% series, due 1964, at 105 1/4%. The balance, together with funds from sale of additional common stock to parent, Northern States Power Co. (Minn.), will be used to reimburse its treasury for previous construction and improvement expenditures.

• **Oglethorpe Fund, Inc., Savannah, Ga.**

March 10 filed 200,000 shares of common. Underwriter—Southern Securities Corp. Price—Based on market. Proceeds—For investment.

• **Old Poindexter Distillery, Inc., Louisville, Ky.**
Mar. 31 filed 50,000 shares (\$20 par) 5% convertible cumulative preferred and an unspecified number of (\$1 par) common shares into which the preferred is convertible. Underwriters—F. S. Yantis & Co., and H. M. Byllesby & Co., both of Chicago. Price—At par. Proceeds—To be added to working capital. Business—Whiskey distillery.

• **Pacific Power & Light Co., Portland, Ore.**

July 10 filed 114,815 shares (\$100 par) 5% preferred. Offering—Company proposes to exchange the new preferred share-for-share for the outstanding \$6 and 6% preferreds and share-for-share plus \$5 per share in cash for 7% preferred of the Pacific Power & Light Co. and Northwestern Electric Co. upon merger into Pacific Power & Light Co. No underwriting.

• **Pal Blade Co., Inc., New York**

June 28, 1946 filed 227,500 shares (\$1 par) capital stock. Underwriters—F. Eberstadt & Co., Inc. Offering—225,000 shares are outstanding and are being sold by 10 stockholders, and 2,500 shares are being sold by A. L. Marلمان to all salaried employees. Issue may be withdrawn.

• **Palmetto Fibre Corp., Washington, D. C.**

August 16 filed 4,000,000 shares (10c par) preference stock. Price—50 cents a share. Proceeds—The company will use estimated net proceeds of \$1,473,000 for purchase of a new factory near Punta Gorda, Fla., at

a cost of about \$951,928. It will set aside \$150,000 for research and development purposes and the balance will be used as operating capital. Underwriter—Tellier & Co. withdrew as underwriters.

• **Pharis Tire & Rubber Co., Newark, O.**

Sept. 27 filed 100,000 shares (\$20 par) cumulative convertible preferred. Underwriter—Van Alstyne, Noel & Co. and G. L. Ohrstrom & Co., New York. Price—\$20 a share. Proceeds—For payment of loans and to replace working capital expended in purchase of building from RFC and to complete construction of a building.

• **Pig'n Whistle Corp., San Francisco**

Dec. 26 filed 50,000 shares (par \$7.50) cumulative convertible prior preferred \$2 dividend stock. Underwriter—G. Brashears & Co., Los Angeles. Price by amendment. Proceeds—23,481 shares are being issued by company and proceeds will be used in connection with recent purchase of four Chi Chi restaurants and cocktail lounges in Long Beach, Riverside, Palm Springs and San Diego and for working capital.

• **Pitney-Bowes, Inc., Stamford, Conn. (4/16)**

March 27 filed 45,736 shares (\$50 par) convertible preferred stock. Underwriter—First Boston Corp., New York. Offering—Shares initially will be offered for subscription to common stockholders in the ratio of one share of preferred for each 20 shares of common held. Unsubscribed shares will be offered to the public. Price by amendment. Proceeds—Proceeds will be used to repay short term bank loans and for working capital. Business—Manufacture of postage meter equipment.

• **Porcupine Club, Ltd., Nassau, Bahama Islands**

Feb. 27 filed \$125,000 5% first mortgage sinking fund bonds, due 1971. Underwriting—None. Offering—Of the total, \$87,500 will be issued in exchange for an equal amount of outstanding 5% notes. The remaining \$37,500 of bonds will be offered to club members. Price—The bonds will be issued in denominations of \$1,000 and \$500 for sale at their face amount. Proceeds—For repayment of bank loan and other corporate purposes.

• **Public Service Co. of Indiana Inc.**

March 26 filed \$11,077,800 15-year 2 3/4% convertible debentures. Underwriters—None. Offering—For subscription to common stockholders in the ratio of \$200 principal amount of debentures for each 20 shares of common held. The debentures will be convertible into common from May 1, 1947 to April 30, 1959. Price—At face amount. Proceeds—For repayment of \$11,500,000 of bank loan notes.

• **Puritan Fund, Inc., Boston, Mass.**

Feb. 3 filed 300,000 shares of capital stock (par \$1). Underwriters—Paul H. Davis & Co. and The Crosby Corp. Price at market. The fund is registered under the Investment Company Act of 1940 as an open-end diversified investment company of the management type. Proceeds—For investment.

• **Quebec Gold Rocks Exploration Ltd., Montreal**

Nov. 13 filed 100,000 shares (50c par) capital stock. Underwriter—Robert B. Soden, Montreal, director of company. Price—50c a share. Proceeds—For exploration and development of mining property.

• **Refrigerated Cargoes, Inc., New York**

Feb. 3 filed 25,000 shares (\$100 par) 6% cumulative preferred and 25,000 shares (no par) common. Underwriter—John Martin Rolph, Vice-President and director of company. Price—The stocks will be sold at \$105 per unit consisting of one share of preferred and one share of common. Proceeds—To be used in organization of business.

• **Regal Molding Co., Inc.**

March 26 (letter of notification) 30,000 shares (\$5 par) 6% cumulative convertible preferred on behalf of the company and 9,000 shares of the same stock on behalf of three stockholders, all officers of the company. Price—\$5 a share. No underwriting. The company will use its proceeds for additional working capital.

• **Republic Pictures Corp., New York**

Registration originally filed July 31 covered 184,821 shares of \$1 cumulative convertible preferred (\$10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

• **Richmond Radiator Co., Richmond, Va.**

March 6 filed \$1,025,000 4% 5-year serial maturity debentures due April 1, 1948 to 1952. Underwriting—None. Offering—Debentures will be offered for subscription to common stockholders in the ratio of \$1 of such debentures for each common share held. Reynolds Metals Co., which holds 61.3% of the company's outstanding common, has waived its right to purchase its pro rata share of debentures until the subscription period for other holders expires on April 15. Reynolds will have until April 21 to subscribe for the debentures after which they will be offered to the public. The debentures will be sold at face amounts of \$25, \$50, \$100, \$500 and \$1,000. They are convertible into common stock up to June 30, 1947. Proceeds—Will be used to retire \$1,025,000 of the company's notes held by Reynolds.

Rosslyn Loan Co., Inc., Arlington, Va. (4/15)

March 12 (letter of notification) 20,000 shares (\$10 par) preferred. **Price**—\$10 a share. **Underwriter**—Miller & Patterson, Richmond, Va. For expansion purposes.

Salant & Salant, Inc., New York

March 28 filed 240,000 shares (\$2 par) capital stock. **Underwriter**—Eastman, Dillon & Co., New York. **Price** by amendment. **Proceeds**—Shares are being sold by 13 stockholders who will receive proceeds. **Business**—Manufacture of work shirts.

Solar Manufacturing Corp.

March 19 (by amendment) filed 110,000 shares of 75c cumulative convertible preferred stock, series B (par \$5). **Underwriters**—Van Alstyne, Noel & Co. **Price** per share \$12.50. **Proceeds**—Net proceeds will be applied to redemption of bank loans and to cover part of cost of expansion program.

South Carolina Insurance Co., Columbia, S. C.

March 26 (letter of notification) 10,000 shares of common. **Price**—\$17.50 a share. No underwriting. **Proceeds**—\$100,000 to capital stock and \$75,000 to surplus.

South Carolina Power Co., Charleston, S. C.

Mar. 31 filed 200,000 shares (no par) common. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Harriman Ripley & Co.; Morgan Stanley & Co. **Price** to be determined by competitive bidding. **Proceeds**—To reimburse its treasury funds expended for property improvements. **Business**—Public utility.

Southern California Water Co., Los Angeles

March 28 filed \$5,100,000 first mortgage bonds, due 1977. **Underwriters**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co., Inc.; Blyth & Co., Inc.; Union Securities Corp. **Proceeds**—Part of the proceeds will be used to redeem \$3,762,000 of outstanding first mortgage bonds at 105¼. Balance will be applied to capital additions.

Standard Railway Equipment Manufacturing Co., Chicago

March 28 filed 500,000 shares (\$1 par) common. **Underwriters**—Smith Barney & Co., New York; and The Illinois Co., Chicago. **Price** by amendment. **Proceeds**—Company will use proceeds from the sale of 135,000 shares to retire a \$1,500,000 bank loan. The remaining 365,000 shares are being sold by certain stockholders. **Business**—Manufacture of metal roofs and other equipment for railroad freight cars.

State Finance Co., Youngstown, O.

March 17 (letter of notification) 2,100 shares (no par) cumulative preferred. **Price**—\$100 a share. **Butler, Wick & Co., Youngstown, Ohio, dealer.** For expansion of business.

Strauss Fasteners Inc., New York

March 25 filed 25,000 shares of 60 cents cumulative convertible preferred. **Underwriter**—Floyd D. Cerf Co. Inc., Chicago. **Offering**—The shares initially will be offered for subscription to common stockholders of Segal Lock & Hardware Co. Inc., parent, at \$9 a share in the ratio of one share of preferred for each 30 shares of Segal common held. Unsubscribed shares of preferred will be offered publicly at \$10 a share. **Proceeds**—For additional working capital. **Business**—Manufacture of slide fasteners.

Street & Smith Publications, Inc.

July 17 filed 197,500 shares of common stock. **Underwriters**—Glore, Forgan & Co. **Offering**—The offering represents a part of the holdings of the present stockholders. Indefinitely postponed.

Suburban Propane Gas Corp., Whippany, N. J.

March 28 filed 50,000 shares (\$50 par) cumulative preferred, convertible into \$1 par common prior to May 1, 1957. **Underwriter**—Eastman, Dillon & Co., New York. **Price** by amendment. **Proceeds**—Company will use \$375,000 of proceeds to pay outstanding bank loan to National City Bank, New York, and \$250,000 to pay a short-term bank loan to Fidelity Union Trust Co., Newark, N. J. Balances will be added to working capital. **Business**—Distribution of liquefied petroleum gas.

Sumit Drive-In Theater, Inc., Cleveland, Ohio

March 24 (letter of notification) 250 shares of common and about 15 or 20 promissory notes in the aggregate of \$29,400. **Price**—\$2 per share of common and \$1 for \$1 worth of notes. No underwriting. To construct drive-in theater in Ohio.

Swern & Co., Trenton, N. J.

Aug. 28 filed 195,000 shares common stock (par \$1). **Underwriter**—C. K. Pistell & Co., Inc. **Offering**—Company is selling 45,000 shares, and eight selling stockholders are disposing of the remaining 150,000 shares. **Price**—\$10.50 a share. **Proceeds**—From 45,000 shares sold by company will be applied to working capital initially. Offering date indefinite.

Textron Inc., Providence, R. I.

Feb. 28 filed 300,000 shares (\$25 par) 5% convertible preferred. **Underwriters**—Blair & Co., Inc., New York, and Maxwell, Marshall & Co., Los Angeles. **Price** by amendment. **Proceeds**—For payment of \$3,950,000 of bank loan notes; purchase of two notes issued by a subsidiary, Textron Southern Inc. in the amount of \$1,000,000 each, and for working capital.

Tide Water Power Co., Wilmington, N. C.

Mar. 31 filed 157,868 shares (no par) common. **Underwriters**—W. C. Langley & Co. and Union Securities Corp. are selling the stock and also are the principal underwriters. They will engage others to sell the stock. **Offering**—To the public. **Price** by amendment. **Proceeds**—Proceeds go to the selling stockholders. **Business**—Public utility.

Tiny Tot Safety Table Co., Chicago

March 28 (letter of notification) Clarence W. Miller, Chicago, who will solicit and obtain preorganization subscriptions to common stock of Illinois corp. to be formed under the name of Tiny Tot Safety Table Co. Preorganization subscriptions for 55,000 shares of \$1 par common. **Price**—\$1 a share. No underwriting. For organization and operation of business.

Toledo (O.) Edison Co.

Oct. 25 filed \$32,000,000 first mortgage bonds, due 1977, and 160,000 shares of (\$100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only); Blyth & Co., Inc.; and Smith, Barney & Co. **Price** to be determined by competitive bidding. **Proceeds**—Net proceeds together with \$4,500,000 bank loan and if necessary, the \$5,000,000 to be contributed by its parent, Cities Service Co., will be used to redeem outstanding debt and preferred stock, involving a payment of \$53,906,590, exclusive of interest and dividends.

Topside Oil Corp., Denver

Mar. 26 (letter of notification) 70,000 shares (no par) common. **Price**—\$1 a share. To be sold through directors of the company. For development work.

Uncle Ray Publishing Co., Inc., Madison, Wis.

March 24 (letter of notification) 550 shares (\$100 par) common. Being offered on behalf of common stockholders of the company. **Price**—\$100 a share. No underwriting.

United States Rubber Co., New York (4/21)

Mar. 31 filed \$40,000,000 20-year 2½% debentures, due 1967. **Underwriter**—Kuhn, Loeb & Co., New York. **Price** by amendment. **Proceeds**—To provide additional working capital. The company said termination of exclusive control of the purchase of natural rubber by the government makes it necessary for the company to resume financing of purchases in the Far East. **Business**—Rubber industry.

U. S. Television Manufacturing Corp., New York

Nov. 4 filed 200,000 shares (par \$1) 25c cumulative convertible preferred and 230,000 shares of common (par 50c). **Price** to public for preferred \$5 per share. Employees will be permitted to purchase preferred at \$4.50 per share. Of the common 30,000 shares are reserved for the exercise of warrants up to Jan. 15, 1950, at \$3.50 per share and 200,000 are reserved for the conversion of the preferred. **Underwriters**—Names by amendment. **Price** \$5 per share for preferred. **Proceeds**—For working capital and expansion of business.

Upper Peninsula Power Co., Houghton, Mich.

March 6 filed \$3,500,000 first mortgage bonds, due 1977; 10,000 shares (\$100 par) cumulative preferred and 180,000 shares (\$10 par) common. **Underwriting**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc. (bonds); Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Paine, Webber, Jackson & Curtis (jointly); Blyth & Co., Inc.; The First Boston Corp. **Price**—To be determined by competitive bidding. **Proceeds**—Company was organized Feb. 26, 1947 to acquire the capital stocks and assets of three Michigan operating utilities—Houghton County Electric Light Co., Copper District Power Co. and Iron Range Light & Power Co. The proceeds will be used in connection with this acquisition program.

Utah Chemical & Carbon Co., Salt Lake City

Dec. 20 filed \$700,000 15-year convertible debentures and 225,000 shares (\$1 par) common. The statement also covers 105,000 shares of common reserved for conversion of the debentures. **Underwriter**—Carver & Co., Inc., Boston. **Price**—Debentures 98; common \$3.75 per share. **Proceeds**—For plant construction, purchase of equipment and for working capital.

Vauze Dufault Mines, Ltd., Toronto, Canada

Mar. 31 filed 500,000 shares (\$1 par) common. **Underwriter**—Name to be filed by amendment. **Price**—50 cents a share. **Proceeds**—For general operating expenses.

Victory Gold Mines Ltd., Montreal, Canada

Nov. 13 filed 400,000 shares (\$1 par) capital stock. **Underwriter**—None as yet. **Price**—25 cents a share. **Proceeds**—For developing mining property. **Business**—Acquiring and developing mining properties.

Weber Showcase & Fixture Co., Inc., Los Ang.

Mar. 31 filed 87,010 shares (\$5 par) common. **Underwriters**—Name to be supplied by amendment. **Offering**—Of the total, 16,671 shares will be offered for subscription to Weber's common stockholders on the basis of one new share for each five presently held. The remaining 70,339 shares will be offered publicly through underwriters. **Price** by amendment. **Proceeds**—To reduce bank loans and to retire a purchase money trust deed note. **Business**—Manufacture of store fixtures and equipment, particularly soda fountains, commercial refrigerators and frozen food cabinets.

West Coast Airlines, Inc., Seattle, Wash.

Sept. 2 filed 245,000 shares (\$1 par) common. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C. **Price**—\$7 a share. **Proceeds**—To repay short term bank loans for aircraft communication equipment part and shop facilities and for working capital.

West Star Mining Co., Coeur d'Alene, Idaho

March 28 (letter of notification) 200,000 shares of common. **Price**—50 cents a share. No underwriting. For exploratory work. Equipment and supplies in connection with prospecting holdings of the company.

Western Air Lines, Inc.

Nov. 27 filed 1,200,000 shares (\$1 par) capital stock. **Underwriter**—Dillon, Read & Co. Inc. **Price** by amendment. **Proceeds**—Offering consists of an unspecified number of shares being sold by the company and by William A. Coulter, President and Director. The amounts being offered by each will be stated definitely by amendment and the total number of shares presently stated will be reduced if the offering consists of a smaller number of shares. Company will use its proceeds estimated at a minimum of \$6,500,000 together with a \$7,500,000 bank loan, toward payment of its promissory notes and to finance company's equipment and facilities expansion program now under way.

Westview Apartments, Inc., New York

March 25 (letter of notification) 580 shares (no par) common. **Price**—\$100 a share. **Underwriting**—Mark Rafalsky & Co., New York. To finance remodeling and alterations of the premises.

Whites Auto Stores, Inc.

Feb. 25, filed \$1,000,000 12-year debentures, due 1959, and 50,000 shares (\$1 par) common. **Underwriters**—First Colony Corp., New York, and Childs, Jeffries & Thorndike Inc., Boston. **Offering**—Of the total common, 5,000 shares are reserved for offering to employees. **Price** By amendment. **Proceeds**—Company is selling the debentures while the common stock is being sold by the four officers and directors. The company will use its proceeds to pay bank loans, to acquire additional warehouse space and to provide working capital. Debentures may be sold privately.

Wisconsin Power & Light Co., Madison, Wis.

May 21 filed 550,000 shares (\$10 par) common stock to be sold at competitive bidding. **Underwriters**—By amendment. Probable bidders include Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co.; Dillon, Read & Co., Inc. **Proceeds**—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

Woodmont Country Club, Bethesda, Pa.

March 12 (letter of notification) \$300,000 non-interest bearing debentures. **Price**—\$250 per unit. No underwriting. To obtain golf course property and to improve same.

Wright & Glenn Co., Inc., New York

Mar. 26 (letter of notification) 1,056 shares of Class B common on behalf of company and 150 shares of Class A common on behalf of Claude T. Glenn, President. **Price**—\$250 per unit consisting of one share of Class A and four shares of Class B common. (Individually the securities are priced at \$50 a share.) The company will use its proceeds for expansion purposes. No underwriting.

Wyandotte Worsted Co., Waterville, Me.

Feb. 26 filed 92,038 shares of common stock (par \$5). **Underwriter**—None. Stock will be sold through regular market channels over the New York Stock Exchange at current market but at not less than \$10 per share. **Proceeds**—Stock being sold by five stockholders.

(Continued on page 53)

Prospective Security Offerings

(NOT YET IN REGISTRATION)
• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

(Only "prospectives" reported during the past week are given herewith. Items previously noted are not repeated)

(Continued from page 57)

Asbestos Manufacturing Co.

Mar. 5 stockholders increased authorized common stock from 400,000 shares to 600,000 shares (par \$1). Approximately 116,000 shares will be offered for subscription to common and preferred stockholders at \$2.50 per share. **Proceeds**—For expansion and improvements.

Atlas Powder Co.

April 29 stockholders will vote on increasing authorized common from 450,000 to 700,000 shares (no par). Increase is designed to provide for possible new capital investment, retirement of indebtedness or general corporate purposes.

California Electric Power Co.

March 31, company reported planning sale of \$4,000,000 preferred stock to be sold at competitive bidding the dividend rate to be specified in the bids. Probable bidders include, Dean Witter & Co.; Blyth & Co., Inc.; Otis & Co. (Inc.).

California-Pacific Utilities Co.

April 2 reported company proposes to ask stockholders to approve amendments to certificate of incorporation as forerunner to finance property extensions.

Chesapeake & Ohio Ry. (4/15)

Company will receive bids up to noon (EST) April 15 at 3400 Terminal Tower, Cleveland, for the purchase of \$1,650,000 equipment trust certificates. Probable bidders include Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler.

Chicago, Indianapolis & Louisville Ry. (4/7)

Company is inviting bids to be opened noon (CST) April 7 for \$2,800,000 of equipment trust certificates, the proceeds to be used to finance not over 75% of the purchase price of 22 diesel-electric locomotives, to be acquired at an estimated cost of \$3,765,500. Bids will be received at office of company, 608 So. Dearborn Street, Chicago. Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler.

Connecticut Light & Power Co.

March 19, stockholders voted a new preferred issue in connection with a \$16,000,000 expansion program. Details of proposed issue not yet available, but company contemplates refunding 336,088 (no par) shares of \$2.40 and \$2.20 outstanding preferred either through an exchange offer or by call. Probable underwriters, Putnam & Co.; Chas. W. Scranton & Co., and Estabrook & Co.

Consolidated Edison Co. of New York, Inc.

April 1 company petitioned New York P. S. Commission for authority to issue for refunding purposes \$100,000,000 in first and refunding mortgage bonds, Series B, due April 1, 1987. The price of the bonds as well as the interest rate is to be determined by competitive bidding. Probable bidders include Morgan Stanley & Co.; Halsey, Stuart & Co., Inc. Proceeds received from the sale will be applied to the redemption of \$60,000,000 Consolidated Edison Co. of New York, Inc., 10-year 3½% debentures due 1948. The balance will be applied to the redemption of a part of the \$65,000,000 in unsecured short-term bank loans executed recently by the company.

Erie Railroad (4/15)

Mar. 26 company applied to ICC for authority to issue \$5,440,000 equipment trust certificates. Bids for purchase of the equipments will be received up to April 15. Probable bidders include Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler.

Fairbanks Morse Co.

March 26 company is working out details of a debenture issue to provide funds for two plants and for increased sales volume. Part of the money will be used to purchase from the government of two plants operated by the company during the war. Probable underwriter, Harman Ripley & Co.

General Public Utilities Corp.

Mar. 28 A. F. Tegen, President, in annual report stated that new financing is required to meet heavy construction requirements.

General Time Instruments Corp.

April 1 stockholders voted to increase authorized common (no par) from 400,000 shares to 500,000 shares. The 100,000 additional shares would be reserved for issuance from time to time as company's needs require.

H & B American Machine Co.

Mar. 29 reported that in connection with proposed recapitalization plan company may sell 208,000 shares of common stock as new financing.

Rayonier, Inc.

April 2 Edward Bartsch, President, states that company has no immediate financing plans, but should securities markets show improvement and if the company could get additional suitable timberlands, it would consider some financing for such purposes.

Rochester Gas & Electric Corp.

The 1946 annual report states that company is preparing a financial program to provide funds for its construction program which is estimated presently at \$25,000,000, of which \$11,000,000 is to be spent in 1947. Probable bidders for new securities include Halsey, Stuart & Co. Inc. (bonds); Blyth & Co., Inc.; Lehman Brothers.

Southern California Edison Co., Ltd.

March 26 California P. U. Commission approved company's application to issue two new classes of preferred stocks in connection with its proposed plan for retirement through exchange or call, of all of its presently outstanding preferred series B 6% stock and series C 5½% stock. The Commission exempted the new securities from the Commission's competitive bidding rule and company invited The First Boston Corp. and Harris, Hall & Co. (Inc.) to manage the underwriting and exchange offerings. The proposed refunding plan will involve the issuance of new securities totalling more than \$95,000,000. Under the plan it is proposed to issue and exchange or sell 1,653,429 shares of new cumulative preference and new convertible preference voting stocks. The new stocks would be offered in exchange for the present series B 6% and series C 5½% preferred stocks on the basis of one-half share of each of the new issues for each share of the old preferred. Unexchanged portions of the old preferred would be called at \$28.75 per share. Unexchanged portions of the new preferred stocks will be sold and proceeds used for the redemption of the old preferred.

Sylvania Electric Products, Inc.

Mar. 29 reported company planning equity financing to provide funds for expansion and working capital as soon as market conditions are favorable. Probable underwriters include Paine Webber, Jackson & Curtis, White, Weld Co., Lee Higginson Corp.

UNITED STATES GOVERNMENT,
STATE, MUNICIPAL AND
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SEC Abandons Idea of Promulgating Bid-and-Asked Disclosure Rule

(Continued from page 3)

disclosure by over-the-counter dealers of prevailing market quotations when effecting transactions in 'exempt securities,' a phrase which includes 'municipals'."

Industry comment on the full disclosure rule received by the SEC on its own solicitation back in 1942 was predominantly opposed to the proposition. The dealers argued that the rule, if put into effect, would reduce their earnings and jeopardize their very existence. They reasoned that there was no justification for singling out the securities business for this kind of treatment. They felt there was no more reason for them to disclose their "inside" or wholesale prices to their customers than it would be for merchants in other lines of business to do so.

Our readers will recall that it was the "Chronicle" which, back in 1942, launched the fight against the SEC's attempt to force such a disclosure rule upon the over-the-counter market, thereby helping to crystallize industry-wide opposition to the scheme. Since then we have carried innumerable articles attacking the proposal as being vicious and un-American and have published column after column of comment from dealers agreeing with our position and indicating the devastating effect such a disclosure rule would have on the securities business. It is still the opinion of the editors of this newspaper that legislation should be enacted, possibly as an amendment to the Securities Acts, preventing the SEC from ever compelling over-the-counter dealers to disclose their inside or wholesale prices, or profits, to a customer unless they are acting on an agency basis.

Decision of the SEC to abandon the proposed "dis-

closure" rule was announced yesterday. The complete statement follows:

"Inquiries have been received by the Commission from time to time regarding the disposition of a Proposed Rule X-15C1-10 under the Securities Exchange Act of 1934 which was circulated to the public for comment in 1942. The rule would have required every dealer executing a purchase or sale in the over-the-counter market to disclose to his customer the best independent bid-and-asked price ascertainable upon the exercise of reasonable diligence or the fact that no such bid-or-asked price could be so ascertained.

"The Commission has received numerous inquiries with respect to the status of 'municipal securities' under any market disclosure rule which might be adopted. The Commission believes it has no authority upon either Section 15C-1 or any other section of the Securities Exchange Act of 1934 to adopt a rule requiring general disclosure by the over-the-counter dealers of prevailing market quotations when effecting transactions in 'exempt securities' a phrase which includes 'municipals.'

"Section 15C2 of the Securities Exchange Act of 1934 expressly provides for rules which 'prescribe means reasonably designed to prevent fraudulent, deceptive or manipulative practices' or fictitious quotations in the over-the-counter market. However, no rule adopted under 15C2 could apply to transactions in 'exempt securities,' since they are explicitly excluded from that section. As a result of the comment received in 1942 the Commission decided not to adopt Rule X-15C1-10."

With H. Hentz & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Henry I. Monheimer has joined the staff of H. Hentz & Co., 120 South La Salle Street.

With Robert F. McMaster

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—William F. Wilson is with Robert F. McMaster & Co., 135 South La Salle Street.

Food Machinery Stock And Debentures Offered

The Food Machinery Corp. is publicly offering today \$8,000,000 of 2½% sinking fund debentures due March 15, 1962 at a price of 100⅞% and 70,000 shares of 3¼% cumulative convertible preferred stock, \$100 par value, at a price of \$101 per share. Kidder, Peabody & Co. and Mitchum, Tully & Co. have underwritten the offering of the debentures and are heading a group of investment banking firms through which the preferred stock is being offered.

Proceeds from the sale of the new securities will be used to reimburse working capital for expenditures made under a program of capital improvements and additions, to provide for additional expenditures for similar purposes, to provide for a \$4,700,000 renegotiation refund to the Government, and to repay substantially all of the \$8,000,000 of bank loans incurred in connection with the program.

Henry B. Boland Dead

Henry B. Boland, partner in Boland, Saffin & Co., 52 William Street, New York City, died on April 1st at the age of 68. He was a resident of Monmouth Beach, N. J.

Our Reporter's Report

Although the behavior of the stock market suggests a degree of uncertainty rules in most directions the situation here has not been of a nature to put the "damper" on the new issue market.

On the contrary the latter phase of the securities business has definitely taken on signs of renewed vigor spurred, no doubt, by the remarkably favorable reception being accorded new underwritings as they appear.

The ease with which the market absorbed first the \$100,000,000 Consolidated Edison issue of a fortnight ago and then American Telephone's \$200,000,000 of new money debentures last week has been conducive to fresh confidence.

Accordingly many firms have moved to proceed with the marketing of new issues, some for refunding, some for new money, and some growing out of the efforts of utility holding companies to meet with the divestment and integration provisions of the law.

The latter phase has been providing investment bankers with substantial opportunities as witness the several such deals which developed this week as for example the multiple sale by New England Gas and Electric Assn. which sold bonds, preferred and common stock, and the big block of Maine Public Service Co. capital stock sold by the Consolidated Electric & Gas Co. the other day.

Don't See Eye to Eye

Differences of opinion are what make the world go around from a financial and investment point of view. This was vividly indicated by the divergent courses pursued by two of the larger industrial corporations in the course of the last day or two.

Atlantic Refining Co. on the one hand, brought out through its bankers an issue of 250,000 shares of new \$3.75 dividend preferred stock, priced at par and offered yesterday to provide funds for general corporate purposes.

From all indications this issue was absorbed widely and in no small measure by institutions when the books opened.

On the other hand, American Locomotive Co., which went into registration for 100,000 shares of new preferred last July, this week asked SEC to permit withdrawal of its registration, explaining that directors felt it would not be to the best interests of the company to go ahead with the program now or in the near future.

It All Depends

Many companies have things in mind and probably would move quickly if they felt prevailing market conditions justified such action.

At the various annual meetings now being held, it has been indicated that more than a few corporations contemplate expansion which would call for additional capital. But quite evidently management is not altogether sure that the time is right.

At the Rayonier, Inc. session Edward Bartsch, President, stated that the company had "no financing plans for the near future." But, he added, "should securities markets show improvement and could the com-

pany get additional suitable timberland, it would consider some financing for such purposes."

On the Second Leg

Consolidated Edison Co. of New York is definitely launched on the second leg of its big refinancing venture, having asked the Public Service Commission to approve issuance of another \$100,000,000 of new bonds.

Proceeds of this portion of the issue would be applied with company cash and bank loans to retire \$194,541,000 of long-term debts outstanding, leaving a final \$90,000,000 of new securities to be floated at a future date.

U. S. Rubber Plans

U. S. Rubber in keeping with expectations, has registered with SEC for an issue of \$40,000,000 of new 20-year 2% debentures which will be marketed by a group of 80 underwriters.

Proceeds will be used to provide additional working capital which the company considers essential to handle present business which is double that just before the war.

Additional funds also are needed in consequence of return to more normal turnover in inventories and accounts receivable than existed during the war and last year. A similar issue was sold last year to finance acquisitions and plantation rehabilitation among other things.

Northern Trust Co. Elects Geil Officer

CHICAGO, ILL.—The Northern Trust Company, announces the election of Lloyd H. Geil, Second Vice-President and Manager, Public Relations. Mr. Geil recently resigned as field representative in the department of public relations, Standard Oil Company (Indiana) to accept his position with the bank. For ten years he was associated with Michigan State College in East Lansing. There he was head of the department of publications and director of public relations. He is a graduate of North Central College, Naperville, and holds a master's degree from Northwestern University. J. Mills Easton, Second Vice-President, continues to serve as manager of advertising, a position he has held with the bank since 1926.

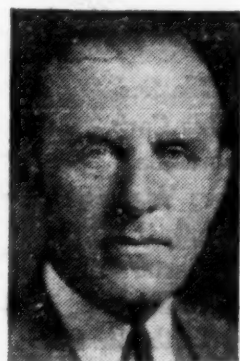


Lloyd H. Geil

with Michigan State College in East Lansing. There he was head of the department of publications and director of public relations. He is a graduate of North Central College, Naperville, and holds a master's degree from Northwestern University. J. Mills Easton, Second Vice-President, continues to serve as manager of advertising, a position he has held with the bank since 1926.

Iglehart Director

J. A. W. Iglehart, a partner in the New York Stock Exchange firm of W. E. Hutton & Co., has



J. A. W. Iglehart

been elected a director of Franklin Simon & Co. Mr. Iglehart is also a director of the National Gypsum Corporation, the Rotary Electric Steel Company of Detroit, and the Columbia Broadcasting System.

Esles, Snyder Elects Harold P. Lowe V.P.

TOPEKA, KANS.—Esles, Snyder & Co., Inc., 217 West Sixth Street, have announced the association with them of Harold P. Lowe and his election as Vice-President in charge of the Municipal Bond Department. In the past Mr. Lowe was with the firm for a number of years.

Edwin V. Hale Joins Clement, Curtis & Co.

CLEVELAND, OHIO—Edwin V. Hale has become associated with the Chicago investment firm of Clement, Curtis & Co., members of the New York and Chicago Stock Exchanges. Mr. Hale was formerly with Otis & Co. for many years.

Ohio And World Bank Bonds

WASHINGTON—Last week the lower house of the Ohio State Legislature, on a motion from the floor by a large majority, voted to make World Bank bonds ineligible for investment on the part of state banks. According to a World Bank source, Ohio bankers expect that this action will be reversed.

In any case, it is pointed out, if Ohio state banks are authorized to invest 10% of their capital and surplus in World Bank securities and exercise the authority, the total would be only about \$16,000,000.

Fund Advice for Monetary Reform Sought by Members

WASHINGTON—Several members of the International Monetary Fund have requested its assistance in reforming their monetary systems. The Fund has not acceded to all such requests. Considerations are: Whether the Fund can spare the necessary staff members; the position of the member vis-a-vis the Fund; the nature of the problem; etc.

Joins Davies and Mejia Staff

SAN FRANCISCO, CALIF.—Walton T. Hildebrand has become associated with Davis & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges. He was in the past connected with Henry F. Swift & Co. and Stone & Youngberg.

Albert W. McCready Rejoins Staff of Conrad, Bruce Co.

LOS ANGELES, CALIF.—Albert W. McCready has rejoined the staff of Conrad, Bruce & Co., 530 West Sixth Street. Mr. McCready has recently been associated with Gross, Van Court & Co. as trader.

With Bacon & Co.

SAN FRANCISCO, CALIF.—Earl C. Elliott has become affiliated with Bacon & Co., 256 Montgomery Street, members of the San Francisco and Los Angeles Stock Exchanges. Mr. Elliott was formerly with Dean Witter & Co.

N. Y. Office for Int'l Fund Under Consideration

WASHINGTON—The International Monetary Fund has under consideration the opening of an office in New York.

Carl E. Harris With Leonard J. Fertig & Co.

FT. WAYNE, IND.—Carl E. Harris has become associated with Leonard J. Fertig & Co., Berry at Court Street, members of the Chicago Stock Exchange. Mr. Harris was formerly with Slayton & Co., Inc., and in the past with Wm. E. Shumaker & Co.

Harold Roberts with Joseph

CINCINNATI, OHIO—Harold Roberts has become associated with John E. Joseph & Co., Inc., 18 East Fourth Street. Mr. Roberts was formerly with Westheimer & Co. for many years. Prior thereto he was with the Cincinnati Stock Exchange.

At Coburn & Middlebrook

HARTFORD, CONN.—Leo P. Begley, Jr. has been added to the staff of Coburn & Middlebrook, 37 Lewis Street.

With Bache in Miami

MIAMI, FLA.—Donald D. Burr has become associated with Bache & Co., 96 N. E. Second Avenue.

DIVIDEND NOTICES

GOODYEAR

DIVIDEND NOTICE

The Board of Directors has declared today the following dividends:

\$1.25 per share for the second quarter of 1947 upon the \$5 Preferred Stock, payable June 16, 1947 to stockholders of record at the close of business May 15, 1947.

\$1.00 per share upon the Common Stock, payable June 16, 1947 to stockholders of record at the close of business May 15, 1947.

The Goodyear Tire & Rubber Co.
By W. D. Shilts, Secretary
Akron, Ohio, March 31, 1947.

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OF NEW YORK, INC.
Conshohocken, Pa.
LEE DELUXE TIRES AND TUBES

The Board of Directors has this day declared the regular quarterly dividend of 50c per share on the outstanding capital stock of the Corporation, payable May 1, 1947, to stockholders of record at the close of business April 15, 1947. Books will not be closed.

A. S. POUCHOT
Treasurer

March 27, 1947

Business Man's Bookshelf

Beverage Distilling Industry—Facts and Figures 1934-1935—Licensed Beverage Industries, Inc., Research & Statistical Bureau, 10 East 40th Street, New York 16, N. Y.—paper.

With A. F. de Felice

SAN FRANCISCO, CALIF.—Aldo Cincotta is with Aurelius F. de Felice, 145 Sutter Street, member of the San Francisco Mining Exchange.

DIVIDEND NOTICES

LEHIGH VALLEY COAL CORPORATION
March 27, 1947
The Board of Directors of this Corporation has today declared a dividend of \$3. per share on its \$3 Non-Cumulative First Preferred Stock, 50c per share on its 50c Non-Cumulative Second Preferred Stock, and \$3. per share on its Preferred Stock (\$50 par value); all payable April 19, 1947, to stockholders of record at the close of business on April 7, 1947.
W. J. BURTON,
Vice Pres. and Secretary

NATIONAL DISTILLERS PRODUCTS CORPORATION

The Board of Directors has declared a quarterly dividend of 50¢ per share on the outstanding Common Stock, payable on May 1, 1947, to stockholders of record on April 11, 1947. The transfer books will not close.

THOS. A. CLARK
TREASURER
March 27, 1947.

MANHATTAN BOND FUND, INC.

The Board of Directors of Manhattan Bond Fund, Inc. has declared Ordinary Distribution No. 35 of 8 cents per share from regular investment income and an Extraordinary Distribution of 4 cents per share from realized security profits payable April 15, 1947 to holders of record as of the close of business April 3, 1947.

HUGH W. LONG & CO. INCORPORATED

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OTIS ELEVATOR COMPANY

COMMON DIVIDEND No. 158

A dividend of 25¢ per share on the no par value Common Stock has been declared, payable April 29, 1947, to stockholders of record at the close of business on April 5, 1947.

Checks will be mailed.
C. A. SANFORD, Treasurer
New York, March 26, 1947.

The Weatherhead Company

An annual dividend of \$1.25 per share has been declared by the Board of Directors on the outstanding Preferred Stock of the Company, payable April 15, 1947, to stockholders of record at the close of business on April 1, 1947.

March 13, 1947
Cleveland, Ohio

MORRIS H. WRIGHT,
Treasurer

Europe and the Geneva Conference

Correspondent foresees great reluctance on part of many European countries to return to system of *laissez-faire* in foreign trade, and predicts little support will be given American policy by Western Europe at forthcoming International Trade Conference. Holds much will depend on continuance of British leadership and loans from United States.

BASLE, SWITZERLAND.—The coming Geneva Conference on International Trade differs materially from the two economic conferences that followed the first World War. The conference of Brussels and Genoa did not aim at anything beyond passing a series of resolutions laying down the principles that were to guide the Governments in their policies. No international agreements were arrived at and none were concluded. The participating Governments were at liberty to depart from the principles laid down in the Brussels and Genoa resolutions. At Geneva, however, the Governments are expected to enter into definite and binding commitments. For this reason, public opinion on the European continent is gravely preoccupied by the prospects of that conference and by the attitude of the Governments concerned.

There can be no doubt that, generally speaking, the continental Governments are not enthusiastic about the American policy aiming at the restoration of multilateral international trade. Strong opposition is likely to be forthcoming in the first place from the countries east of the "Iron Curtain." Under the influence of the Soviet Union, they have adopted a policy of State controlled foreign trade, not as a matter of temporary expediency but as a part of the fundamental economic system towards which they are being steered. For them there can be no question of a return to *laissez-faire* in foreign trade. Their representatives are expected to hold out in favor of quantitative discrimination, bilateralism, and regional pacts.

Nor is the American policy likely to receive much support from Western Europe. Most liberated countries are in such a state that their Governments do not feel disposed to relinquish the weapons at their disposal for the defense of their balance of payments. They consider discriminatory trading methods as indispensable as exchange control. In order to be able to run the risk of exposing themselves to the hazards of multilateral trade, they would all require large loans to provide the means for meeting trade deficits. The grand total of their requirements would be an astronomical figure, far beyond the limits up to which the United States is likely to be prepared to go in its policy of financial assistance.

Even countries such as Switzerland or Sweden, which are in need of dollar loans, would be reluctant to do away with bilateral arrangements and discrimination in general. These arrangements have resulted in a kind of equilibrium which is held to be particularly valuable by small countries. Swiss economic literature in particular stresses the extent to which a small country is exposed to shocks under a system of free (or comparatively free) trade. Although the former neutrals are in a sufficiently strong financial

position to face a series of trade deficits, they are anxious to preserve their strength, if necessary, by means of "artificial" trading arrangements.

There seems to be no clear attitude discernible in any of the continental countries. None of them are keen on taking the plunge by reverting to free trade and hoping for the best. There is bound to be a great deal of hard bargaining for safeguards, whether in the form of international organizations and arrangements regulating the flow of multilateral trade, or in the much more obvious form of substantial dollar loans. Every country has, of course, its price, and quite conceivably even the Eastern European countries will be prepared to commit themselves to non-discrimination in return for a sufficiently large loan. They would do so with the approval of the Soviet Government, approval which would be forthcoming, since the Soviet Union would indirectly benefit by such loans. How much the commitments, given in contradiction to fundamental policies, will be worth in the long run is another question.

Western Europe is likely to take its lead from Britain. In spite of the weakening of Britain's financial and economic power as a result of the war, the greater part of the Continent still looks towards London for guidance in matters relating to international trade or currency. The fact that none of the continental countries ratified the Bretton Woods Agreement until Britain decided to ratify it is well worth bearing in mind, as history is likely to repeat itself in Geneva.

Yugoslavia Pays Its World Bank Quota

Action follows Baranski's visit to Belgrade.

WASHINGTON, April 2 (Special to the "Chronicle")—Following a visit of World Bank Executive Director, Leon Baranski, to Belgrade, Yugoslavia recently paid its subscription to the World Bank.

For a long while Yugoslavia, as a matter of principle, insisted on not paying its subscription to the Bank until the United States should free Yugoslav gold frozen in this country. Baranski, a Pole who represents Poland, Czechoslovakia and Yugoslavia in the Bank, is now enroute to Washington.

Prior to Baranski's visit, the Yugoslav Government was obdurate. While the matter was still in an impasse, the United Kingdom unblocked Yugoslavia's assets, whereupon the World Bank repeated its request to Belgrade, but without success until Mr. Baranski's visit.

Sees Danger in Price Distortions

Northern Trust Company of Chicago points out that with industrial production 90% above prewar, and real consumer purchasing power only 60% above, maintenance of industrial production depends on combination of lower living costs through lower prices and larger capital expenditures of business.

In spite of a 55% increase in the cost of living since the prewar years of 1935-1939, the total real purchasing power of current incomes is sufficient to buy a quantity of goods almost 60% greater than before the war, according to an article in the April edition of The Northern Trust Company's "Business Comment."

Reasons for this increase in consumer purchasing power lie, according to the article, in the large increase in income payments to individuals which have recently been running at the rate of \$175 billion annually as compared with a \$67 billion average for the five prewar years. Though taxes paid by individuals are heavier (\$20 billion annually now against \$3 billion prewar), income available for spending (after taxes) is still almost 2½ times prewar.

Industrial production, meanwhile, has been running 90% higher than prewar in physical volume, the bank reported. Compared with the 60% rise in real purchasing power of current incomes, it would appear that production was tending to outrun the market, but, the report states, "a direct comparison between these figures is very superficial."

For one thing, consumers not only buy the products of industry but also the products of agriculture and services, such as doctors, education or entertainment. Domestic consumption of farm products in the aggregate, and of some services, has not risen 60%, which gives leeway for greater increases in consumption of products of industry. A second factor in the comparison is that not all of industrial production is in the form of consumers' goods, a large fraction consisting of capital goods purchased by business firms to maintain, improve or expand production and marketing facilities. At the present time, the bank reports, such spending by business is very large.

Maintenance of industrial production at present levels depends on the combination of consumer purchases and capital expenditures of business, the bank pointed out. Government purchases of military

equipment and other supplies and services are also a part of the total demand and are still important.

The maintenance of production on an even keel depends not only on the matching of the flow of consumers' goods and the amounts available to consumers for spending on these goods, but also on the matching of the output of capital goods and the amount available to business from profits, depreciation reserves and sale of securities to the public, the bank stated.

The rise in the cost of living and of other commodity prices, the bank reported, is a reflection of cost increases and of shortages, particularly of farm products and metals. Price distortions that now exist threaten the maintenance of production and employment. In such a situation a relatively few benefit, while many suffer, the bank added. Thus the mass markets for goods on which full production depends are undermined. "Any action that will increase the price distortions that now exist is harmful," the article concluded. "Any action that will bring down the prices and costs that are out of line is helpful."

August Fuchs Partner In Geo. B. Wallace Co.

George B. Wallace & Co., 15 William Street, New York City, announce that August G. Fuchs has been admitted to partnership in the firm. Mr. Fuchs has been with the firm for some time in charge of the trading department.

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The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

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New York, N. Y., Thursday, April 3, 1947

Price 30 Cents a Copy

No Bust, But a Balanced Economy

By S. J. FLINK*

Chairman, Dept. of Economics, Rutgers University

Asserting business is steering away from predicted 1947 recession, Prof. Flink predicts a balanced economy because of: (1) transition from inventory accumulation to inventory balance; (2) increased productivity; and (3) return to a competitive market. Says buyers' market of tomorrow will be based on high output rather than depressed markets, and stresses need of more efficiency in selling and in retail store operations.

During the past six years, the American economy has performed three major miracles. First, it achieved in 1941-42 the incredible



S. J. Flink

task of superimposing a full-fledged war economy on our civilian economy. Within that short span of time, America became the largest single producer of the sinews of war. On top of that, we produced at the peak of our war effort, civilian goods

on a scale larger than ever before in our peacetime history. The second miracle was the speed of reconversion from war industry to civilian production. Within nine months after V-J, the last remnants of a war production had been cleared off factory floors and removed from manufacturing storage facilities. Contract renegotiations, the bugaboo of war pro-

*An address by Prof. Flink before the Convention of the National Association of Retail Clothiers and Furnishers, New York City, March 3, 1947.

ducers, was pretty well cleared up. Industry was given the green light to go full steam ahead with civilian production.

The third miracle is now in the process of unfolding itself on our domestic scene. American business is definitely steering away from the widely predicted recession of 1947.

In most lines of business, prices show signs of softening;

The merry-go-round of wage increases and higher prices is coming to a stop;

Major strikes are remote possibilities rather than strong probabilities;

Consumer resistance is a reality. In brief, there are growing indications that the predicted "Boom and Bust" cycle is going to be replaced by a "Boom and Balanced Economy" sequence.

There is evidence in every industry that businessmen have not only not accepted the dismal predictions about an approaching recession, but have already taken action to adjust themselves to the current trend. And it is this adjustment which promises to pave the road for a balanced economy

(Continued on page 7)

'Blueprint for American Business'

By R. F. PATTERSON*

Dean of School of Business Administration, University of South Dakota

As means of maintaining American free enterprise, Dean Patterson prescribes: (1) completion of world peace; (2) industrial peace at home; (3) a return to sanity in public finance; (4) a clear concept of relation of government to business; and (5) thrift, hard work and self-restraint as cornerstone of self-government. Wants businessmen to cooperate more with government.

I make no apology for saying that my philosophy of business is rooted in the conviction that the American free enterprise system



R. F. Patterson

with all its faults, offers the American people the greatest incentive to prosperity, the highest standard of living, and the widest measure of democratic freedom to be found anywhere on earth.

It seems clear to me that there are four lines that must be sketched on any blueprint for American

business if we are to demonstrate to a socialistic and communistic world that we are capable of operating a free enterprise system and that capitalism will survive.

(1) American business needs the completion of world peace. We spun during the war a shimmering web of unreality about the aims of the war and the world that was to come after it. We rhapsodized about the Four Freedoms, One World, The Good Life, and The Atlantic Charter as if the mere repetition of these saccharine phrases would usher in a millennium of international bliss. We conjured up ethereal visions of Joseph Stalin as the epitome of democracy. We have since recovered from these delusions and now face the hard-headed problems of practical peace.

Business and industry have a

(Continued on page 8)

The Role of FDIC

By MAPLE T. HARL*

Chairman, Federal Deposit Insurance Corporation

Mr. Harl points out about 13,300 commercial banks and 200 savings banks are now comprised in FDIC, constituting 92% of all banks in nation. Corporation's surplus now exceeds \$700 millions and Government capital of \$289 millions is to be returned. Reports no losses to depositors in last three years, and denies FDIC attempts to replace other government supervisory agents. Says "we are sold on dual banking system."

During the more than thirteen years of its existence, the FDIC has had very cordial and most productive relations with the banks

and bankers of New Mexico and Arizona. We hope that the same cordiality will continue in the future as in the past.

Like your banks, the Federal Deposit Insurance Corp. has come a long way since it was established. During the 13 years of its operation, the Corporation has accumulated a surplus of more than \$700 million to be utilized when and wherever necessary in the protection of bank depositors throughout the nation.

Today there are about 13,300 commercial banks and trust com-

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Maple T. Harl

As We See It

EDITORIAL

Not So Simple As It Seems

In the presence of almost daily ejaculations, complaints and exhortations, the rank and file not unnaturally appear to have become badly confused about the current price situation. There are those who insist that "prices"—as if the price structure were a homogeneous, amorphous mass—should rise no further, should even decline, while wages should rise until they have become "adjusted" to the higher cost of living. Of course, many are of the contrary opinion—that wages should rise no further, and that, regardless of any such future stability in wages, prices are destined to further advance. Still others are convinced that public interest requires that wages and prices should at worst be voluntarily and cooperatively stabilized at present levels, and that "wherever possible" prices should be reduced. Meanwhile, this group or that, is ready at all times to hold government or "greedy" business "responsible" for what has already taken place.

As a matter of fact "prices," or what is commonly known as "the price level," is a sum or average of many different quotations and markets, each with its own individual milieu, each responding to its own causative factors, and each bearing upon many others. It may therefore happen, and indeed has now happened and is now happening, that a rise in "general prices" may result from price increases in various sectors of the economy, some of which are quite in the public interest, some of which may be inevitable regardless of any individual, some of which are an outgrowth of gauche government operations, and some of which may reflect failure on the part of individual businessmen to exercise full enlightenment and self-control in seeking their own interests.

(Continued on page 4)

From Washington Ahead of the News

By CARLISLE BARGERON

One of the most interesting experiences which the Republican budget cutters have had, aside from the propaganda barrage in papers they had looked to for support, was that of an attractive and go-getting gentleman named Faulkner.

It seems that in the Wagner-Peyser Act of 1933 the United States government created veterans' placement services in every

public employment office of the country. This was hailed as a forward move, one not looking back to yesterday, but to the future, and therefore, to be considered as a very constructive step. The idea was that jobholders galore should be created and placed around the country with a view to getting some other veterans jobs, the law reading that the jobholders, in the first instance, had to be veterans.

We have had so many wars that manifestly all of us qualified for the office and the purpose was that we would, in turn, try to get jobs for some of the other fellows. In this way, Democracy works or somebody is working

Democracy, I am undecided as to which. However the workings of this racket may have been, there came a time when a grateful nation once again wanted to do something for its gallant drafted boys. So when Congress passed the famous GI Bill of Rights, as a way of showing its renewed gratitude, it granted a lot of bounty, and then as if as an afterthought, said, "Oh, one thing more."

In addition to all the money which a grateful people were to pour out to the veterans, they should have an additional committee. Veterans just love committees, so naturally they would be appreciative of a committee such as this. It was thus provided that with a view of really showing how we backed up the armed forces, another veterans' placement committee should be set up. It was to be composed of the Veterans Administration Director, the Secretary of Labor and the

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Illusions!

"There are several illusions in all this 'war potential' attitude.

"a. There is the illusion that the New Germany left after the annexations can be reduced to a 'pastoral state.' It cannot be done unless we exterminate or move 25,000,000 people out of it. This would approximately reduce Germany to the density of the population of France.



Herbert Hoover

"b. There is an illusion in 'war potential.' Almost every industry on earth is a 'war potential' in modern war. No industry (except direct arms manufacture), is a war potential if the energies of a people are confined to the paths of peace. If Germany be disarmed in the way I have assumed above, there must a control commission to see that they do not have any army or any navy. And two score of intelligent men, as part of that commission, could see that there is no arms production and that no industry is manufacturing or storing materials for evil purposes. Moreover, industry is not likely to waste its substance, either by storing or manufacturing for war, when there is no army or navy to use it.

"The question here is not 'level of industry.' The real question is whether the Allied nations will stick to their abolition of militarism itself in Germany. If they do that, there is little danger from 'war potential' in industry.

"c. Another illusion, is that the 'light industry' in Germany can be expanded to a point where she will be able to pay for her imports. In my view, it cannot be done for years, and even then it is doubtful in the face of competition with the 'light industries' of other parts of the world.

"d. The over-all illusion is that Germany can ever become self-supporting under the 'levels of industry' plan within the borders envisioned at present for New Germany.

"e. A still further illusion is that Europe as a whole can recover without the economic recovery of Germany."—Herbert Hoover.

How much must we pay to prevent or limit starvation in Germany and elsewhere in Europe before we are ready to cast off these illusions?

Bunting Lays Down Anti-Inflation Policy

President of NAM says prices of manufacturers have not advanced as much as food prices, and contends inflationary spiral can be reversed by teamwork between government, labor and management.

Earl Bunting, President of the National Association of Manufacturers, on March 28, 1947, made public the following statement with reference to rising prices:

"The President of the United States and the Secretary of the Treasury, at recent press conferences, expressed their concern over recent price increases and admonished business to reduce prices promptly to the lowest levels possible. I share their concern, as do all thoughtful businessmen. It is a recognized fundamental of good management not to 'charge all the traffic will bear,' but continuously to maintain those prices which are equitable and fair to consumers, to employees, and to the owners whose investments make business possible.



Earl Bunting

"Last month (on Feb. 28) the Board of Directors of the National Association of Manufacturers unanimously approved this statement on the subject of prices: 'NAM Directors, accepting the recommendation of the Economic Policy Committee, endorse the desirability of cooperation between management and labor to resist increased costs and prices to the public, thereby spreading the benefits of expanding production among all the people.'

"Since then there have been further increases in prices. This has been especially true for food products which shot upward because of large-scale buying by government and foreign nations for shipment abroad, and the prospect of additional large-scale government purchases of foodstuffs still in limited supply in this country. Unfortunately, the volume of such buying and the amount of prospective purchases for export is still a 'state secret,' so that the inflated price levels

it produces cannot be appraised properly or handled intelligently.

"Generally speaking, the prices of manufactured products have not climbed anything like the rise in the prices of foodstuffs. But more important, there are strong forces working today against the much desired downward readjustment of the price level of manufactured goods. Outstanding among these forces is the uncertainty of businessmen about future wage levels, tax liabilities, cost of materials, and the possibility of another wave of crippling strikes which would further retard production.

"Much of this uncertainty could be resolved quickly if the Executive Branch of the government would get behind sound labor legislation to restore real collective bargaining and industrial harmony, tax reductions to free and stimulate investment, and such other action as necessary to assure the country that the era of business-baiting is over.

"The inflationary spiral which the President and his Treasury Secretary properly fear can be reversed only by teamwork between government, labor, and management, all putting the public interest above every selfish interest. It calls for a display of real statesmanship all along the line.

"By management resolutely refusing to take advantage of either the shortage of goods or the willingness of any part of the public to pay more than the price necessary to yield an adequate and fair profit;

"By labor constructively refusing to press for preferential treatment in the form of unwarranted wage increases and feather-bedding concessions, both of which can only lead to more price increases; and,

"By government courageously moving to promote stability in labor relations, economy in federal expenditures, and confidence on the part of the American people.

"Given this brand of teamwork, with free competition running interference, the way to the goal of sound and lasting prosperity for all is clear."

Debit Balances on NYSE in February

The New York Stock Exchange reported on March 14, that as of the close of business on February 28, member firms of the New York Stock Exchange carrying margin accounts reported as follows:

Total of customers' net debit balances of \$572,917,994 on February 28, against \$533,033,604 January 31. These figures include all securities, commodity and other accounts. Do not include debit balances in accounts held for other firms which are members of national securities exchanges, or "own" accounts of reporting firms, or accounts of general partners of those firms.

The Exchange's announcement of Feb. 14, also said:

Credit extended to customers on U. S. Government obligations was \$66,060,671 at the end of February, against \$69,007,409 on January 31. This amount is included in the net debit balance total.

Cash on hand and in banks in the United States amounted to \$407,825,494 on February 28, compared with \$442,533,290 a month before.

Total of customers' free credit balances on February 28 was \$681,134,347 against \$687,378,796 at the end of January 1947. These figures include free credit balance in regulated commodity accounts. Do not include free credit balances held for other firms which are members of national securities exchanges, or free credit balances held for the accounts of reporting firms or of general partners of those firms.

Industrial Activity to March 15 Reported by Federal Reserve Board

"Industrial output and employment were maintained in February and the early part of March at the record peacetime levels reached in January," said the summary of general business and financial conditions in the United States, based upon statistics for February and the first half of March, issued on March 27, by the Board of Governors of the Federal Reserve System. "Value of department store sales has continued at a seasonally adjusted rate close to the level prevailing since early last summer," according to the Board which reported that "wholesale commodity prices have advanced further." The Board's advices continued:

Industrial Production

"Industrial production, as measured by the Board's seasonally adjusted index, was maintained in February at the January rate of 188% of the 1935-39 average. Output of durable manufactures was slightly above the January rate, owing mainly to increased activity in the automobile industry and to a somewhat greater than seasonal gain in production of lumber and other building materials. The number of automobiles and trucks assembled reached a new postwar peak which was about the same as the 1941 average.

"The Board's index of steel production showed a slight gain in February as a 9% increase in output at electric furnaces more than offset a 2% decline in production at open hearth furnaces. In March scheduled operations continued to advance, reaching a new postwar high of 97% of capacity in the last week of the month.

"Output of manufactured food products declined somewhat in February, after allowance for the usual seasonal changes, owing largely to a reduction in the processing of fruits and vegetables. Activity showed little change at textile mills, and also in industries producing chemicals, rubber products, and most other nondurable manufactures.

"Minerals production was maintained at the January rate, as a 6% decline in coal output was offset in the total by increased production of crude petroleum and metals.

Construction

"Value of construction contracts awarded in February was about the same as in December, according to the F. W. Dodge Corporation. Awards in January had been about one-fourth higher, owing mainly to several large public and private projects. Value of awards for private nonresidential construction continued to show little change from the reduced levels reached in November. The maximum amount of this general type of activity permitted under Federal orders was raised substantially on January 10.

Distribution

"Department store sales in February and the first half of March showed about the usual seasonal advance and the Board's adjusted index of sales during the first quarter of the year is likely to be at about the same average level as during the fourth quarter of last year, when the index was close to 270% of the 1935-39 average. Value of department store stocks showed a greater than seasonal increase in February and the preliminary adjusted stocks index reached a level of 280% of the 1935-39 average.

"Shipments of coal and most other classes of revenue freight declined somewhat in February, owing in part to severe weather conditions, and then advanced during the first two weeks of March. Loadings of forest products, however, were considerably above the January rate throughout this period.

Commodity Prices

"Wholesale commodity prices continued to rise during February and the first half of March. The Bureau of Labor Statistics' index

of wholesale prices at 149 (1926=100) was one-third above the level of last June. There were sharp increases to a new high level of 184 in the index for farm products and the average of prices of commodities other than farm products continued to rise.

Bank Credit

"Deposits of businesses and individuals at commercial banks declined sharply and Treasury deposits at Federal Reserve Banks increased in February as a result of large tax payments. This shift of funds to Treasury accounts at the Reserve Banks put a drain on member bank reserves, which was offset in part by a decline in required reserves and in part by an increase in Reserve Bank holdings of Government securities. In the first half of March, however, when Treasury deposits at the Reserve Banks were drawn down in connection with cash redemption of about \$3 billion of maturing securities, member bank reserve positions were eased considerably and Reserve Bank holdings of government securities declined sharply. Completion of the United States payment to the International Monetary Fund in February resulted in a decline in the total monetary gold stock of the Treasury and in offsetting changes in other Treasury and Federal Reserve accounts without affecting member bank reserve balances.

"Commercial and industrial loans increased further at banks in leading cities. Real estate loans rose moderately. Holdings of government securities were reduced further in February through sales to maintain reserve position and were increased somewhat early in March as purchases of Treasury bills and certificates were larger than the amount of retired issues held by these banks."

Cannon New U. S. Envoy

Richard C. Patterson, Jr., on March 27 tendered his resignation as Ambassador to Yugoslavia and it was accepted by President Truman with "great reluctance," according to a release of the exchange of letters by the White House on March 27, a special dispatch from Washington to the New York "Times" stated. The President complimented Mr. Patterson on his service under most difficult conditions. On March 31 the President sent to the Senate the name of Cavendish W. Cannon, of Utah, to succeed Mr. Patterson as Envoy to Yugoslavia. Mr. Cannon at present is a Foreign Service Officer.

Ambassador Patterson agreed to continue to act in a consultative capacity with the State Department until the appointment of his successor. In Associated Press advices from Washington it was noted that Mr. Patterson has been in the United States since late November and has given a series of lectures on Marshal Tito and conditions in Yugoslavia.

Culbertson Goes to Madrid

Under date of March 26 special advices from Washington to the New York "Times" stated:

Paul T. Culbertson, chief of the western European division of the State Department, has been assigned to Madrid as First Secretary of the Embassy and Charge d'Affaires, it was announced today. The State Department said the assignment was of "a purely routine administrative character and has no political significance whatsoever."

Lewis Orders Holiday in Coal Mines

Head of mine workers in letter to union members accuses Secretary of Interior Krug of criminal negligence and responsibility for Centralia, Ill., mine disaster. Calls government mine administration debauched. John D. Battle of National Coal Association says holiday order is an exhibition of tyrannical power.

On March 29, John L. Lewis, President of the United Mine Workers, in a surprise move, addressed a letter to officers and members



John L. Lewis

of the bituminous districts of his organization, directing a week's holiday as a memorial to the victims of the Centralia, Ill., mine disaster, which occurred on March 26. The text of the Lewis letter follows:

"To the officers and members of the United Mine Workers of America in all bituminous districts in the United States:

"Greetings:
"Another monumental mining disaster has occurred. An explosion occurring Tuesday, March 26, in the No. 5 mine of the Centralia Coal Company at Centralia, Ill., killed 111 mine workers.

"This is the worst disaster of its kind since 1928. The explosion and its attendant loss of life could have been prevented if the mining laws and the Federal safety code had been enforced. Local union officials have frequently called attention to the dangerous and unlawful conditions of this mine. State and Federal mine inspectors, after intimate examination, have reported the dangerous condition of this mine to their superiors. The mine was being operated under the supervision of the United States government, and the agent of government responsible for the safety of the men was J. A. Krug, Secretary of the Interior.

"Criminal negligence on the part of Krug is responsible for the death of these brave men and the future impoverishment of their families. Forced to work by yellow-dog injunction secured by Krug and his co-conspirators, the safety of these men was neglected to a point where they died like trapped animals.

"The widows now weep and their children have become pathetic, mournful and helpless figures. There is public sorrow at the moment, but we know from harsh experience that it is only a momentary feeling of pity on the part of the public, and this sacrifice, like others before, will soon be forgotten. Shortly after the mine workers bury their dead, the feeling of sorrow will remain only in the breasts of the loved ones who survived; and the mine workers can look forward to the next catastrophe.

"We who are privileged to speak for our dead, and for those pathetic widows and orphans, and for the future safety of our people, challenge this criminal and calloused attitude. This killing must stop. This debauched administration of mine safety must stop. It must be stopped now. The American people must be aroused to the stark realities of the situation and the casualties of the coal industry. Coal is already saturated with the blood of too many brave men and drenched with the tears of too many surviving widows and orphans.

"As an effective protest against these horrors, we believe that the industry should suspend work, mediate, pray and resolve for a safer and more secure future for those working in the coal mining industry. Under the basis agreement which has been continued in full force and effect there is a provision, under safety prac-

tices, which provides as follows: "... The international union, United Mine Workers of America, may designate memorial periods provided it shall give proper notice to each district."

"We believe the time has arrived when such a memorial period should be made effective. We recommend, therefore, in accordance with our agreement that the designated memorial period shall begin at midnight, Monday, March 31, and end at midnight, Sunday, April 6, 1947.

"During this period, coal production will cease and memorial ceremonies, church services and other exercises should be conducted to honor our dead and to pray to God in His infinite mercy to provide consolation for the bereaved families. The cooperation of the clergy and churches should be invited and accepted.

"It is a sacred coincidence that the greater part of this designated period of mourning will be during 'Holy Week.' 'Good Friday,' April 4, is observed by Christians everywhere in sorrowful meditation and prayer for the suffering and crucified Christ who died for us that we might live. During this sorrowful period it is fitting and proper that we join in these spiritual exercises.

"The mine workers are entitled to the reasonable privileges of all other citizens. They are entitled to reasonable protection of their lives as they follow their vocation. Let us hope that this period of mourning, in which all should participate, will realistically bring home to our callous government officials and the American people the necessity for such protection in the future."

Secretary of National Coal Association Calls Order "Tyrannical"

In answer to the foregoing letter, John D. Battle, Executive Secretary of the National Coal Association, made the following statement on March 29:

"John L. Lewis has once again given to Congress and the country an exhibition of his tyrannical and absolute power over the coal miners and the nation's fuel supply.

"The one week's work stoppage which he has decreed ostensibly to dramatize the tragic loss of life in the mine explosion at Centralia, Ill., will not bring any of those dead back to life, and will not bring any aid or comfort to their bereaved families and dependents.

"But Mr. Lewis's grandstand play will deprive 400,000 living miners of one week's wage and deprive the country of perhaps as much as 10,000,000 tons of coal that is badly needed by the railroads, the utilities, steel and other industries, and householders in this country, and for shipment overseas to relieve the desperate fuel famine in Europe.

"Since bituminous-coal miners, according to the most recent report of the United States Bureau of Labor Statistics, are earning on the average about \$70 weekly, this new work stoppage will cost the mine workers in wages upward of \$15,000,000. Its cost to the coal industry as a whole and to the national economy will be double or triple that amount. And all to no purpose except to cater to Mr. Lewis's delusions of grandeur.

"It would appear on the face of the matter that this new work stoppage is illegal and as contemptuous of government author-

ity as was the work stoppage of last November, for which Mr. Lewis was prosecuted by the government and convicted of contempt of court.

"Putting a new label on it offering a new excuse, does not validate calling a halt to all coal mining in the face of an existing work contract to which the government is a party.

"It is a flagrant breach of the contract, but since the mines are at present in the hands of the government, the legal aspects of the work stoppages are a matter for the government to grapple with."

Hungary Credit Extended by U. S.

An agreement extending Hungary an additional \$15,000,000 in credit for the purchase of surplus property has been signed by representatives of that country and the United States, Maj.-Gen. Donald H. Connolly, Foreign Liquidation Commissioner, announced on March 27. This increases to \$30,000,000 the amount of surplus property credit extended Hungary by the United States, said the Commissioner's office, which also stated:

Terms of the agreement provide that Hungary shall make repayment in 25 equal annual installments starting July 1, 1952. The interest rate is 2 3/4%. For the next five years, the United States also has the option of using up to \$2,000,000 annually in Hungarian currency for U. S. Government expenses there or using the dollar equivalent of all or part of this amount for the acquisition or improvement of real estate. In 1952 and each year thereafter this maximum amount will be increased to \$3,000,000 annually.

An earlier credit of \$15,000,000 to Hungary was made known on Feb. 15 by the State Department at Washington, at which time Associated Press advices from Washington said:

The credit will allow Hungary to purchase surplus war material in occupied Germany. A similar amount was granted Hungary last year. These credits are among economic measures taken by the United States to aid that nation, which is under Soviet military occupation.

The State Department's announcement, according to the same press accounts, concluded:

The U. S. Government is continuing its consideration of various possible means of extending additional economic assistance to Hungary and, in this connection, has been co-operating closely with the Hungarian Legation and, more recently, with Mr. Jeno Koranyi, minister counselor in the Ministry of Commerce, who came to Washington for this purpose.

It is hoped that arrangements can be concluded at an early date under which further economic aid for Hungary will be forthcoming.

Trumans to Visit Ottawa

An American President will pay an official visit to Canada for the second time when President Truman visits Ottawa early this June, according to a dispatch from that city on Mar. 25 to the New York "Times." In announcing the projected visit Prime Minister W. L. Mackenzie King said that the date had not yet been definitely arranged. It is anticipated that the President will address the Senate and House of Commons and probably speak to a mass reception on Parliament during his stay in Canada. Following the Quebec conference in 1943 President Roosevelt spoke to a public gathering on Parliament Hill in Ottawa. Mr. and Mrs. Truman are to be the guests of the Governor General, Viscount Alexander, at Government House.

The State of Trade

A slight increase in total industrial production took place the past week from the very high level of the previous week. Mild weather coupled with the absence of any large labor disturbances enabled some industries to reach new production peaks. An additional factor which contributed its share to increased output in the week was the continued improvement in the supply of raw materials. Encouraging also were reports

that inflationary tendencies in the steel market were at long last coming under control with softness appearing in scrap markets in some districts and slight declines occurring in others. Other indications of a slow return to more normal conditions in the steel trade are evidences of weakness in so-called black market or twilight steel prices and the attainment of a new and significant peacetime peak in steel output last week.

The automotive industry received a production setback the past week due to the violent snow and wind storm that raged over the Detroit area and surrounding localities early in the week upsetting manufacturing schedules. The loss in production, however, turned out to be not as great as had first appeared probable.

Car and truck output in the United States and Canada for last week was estimated by Ward's Automotive Reports at 100,261 units. This compares with a revised figure of 108,472 for the previous week, 37,285 a year ago and 124,165 in the 1941 week.

The current total comprises 68,184 cars and 27,102 trucks built in this country and 3,245 cars and 1,730 trucks in Canada.

The announcement by John L. Lewis, head of the United Mine Workers Union, that his 400,000 soft coal miners would quit the pits at midnight March 31, for a six-day period of mourning for the 111 victims of the Centralia (Ill.) mine disaster proved to be not such an immediate threat to production as may have first appeared, since according to a government official, output the present week would have been less than half normal even without the stoppage. Tuesday, this official pointed out, is a traditional mine holiday and in addition, many miners remain away from the pits Holy Thursday and Good Friday, coupled with a usual high rate of absenteeism on the Saturday before Easter. From the viewpoint of industry spokesmen in Pittsburgh, the stoppage would have little effect on production if all the miners return to work next week. Some significance may be attributed to the fact that the close-down order was scheduled to begin at the exact moment Mr. Lewis had once planned a nation-wide strike for higher wages until he was restrained from doing so by the United States Supreme Court.

One other item of interest the current week and having a direct bearing on the nation's economy was the signing by President Truman on Monday and "with reluctance" legislation extending sugar rationing and price controls until Oct. 31, 1947. Mr. Truman also approved a measure retaining until June 30, next, the powers of priority and allocation control given in the Second War Powers Act over such items as tin, antimony, cinchona bark, streptomycin, cordage fibers, railroad transportation, tractors exports and whatever other commodities may be classified by the Secretaries of State and Commerce as essential to international commitments.

In addition, the government purchase of natural rubber will end, though Congress extended domestic controls over the use of both natural and synthetic rubber for one year. Emergency powers over truck lines and water carriers will be withdrawn from the Interstate Commerce Com-

mission and the Office of Defense Transportation, but railroads will continue subject to freight embargoes and curtailment of operations if these again prove necessary. Other controls to be retained are those governing critically scarce building materials and uranium materials with authority over the former passing from the CPA to the Housing Expediter and the latter from the CPA to the Atomic Control Commission.

There was a moderate rise in retail volume the past week with dollar volume moderately above that of a year ago, reflecting chiefly higher prices rather than increased unit sales. The approaching holiday stimulated interest in apparel and gift items, but consumer selectivity continued to be evident.

Wholesale volume in the week remained close to the high level of the preceding week and was moderately above that of the corresponding week a year ago. Trading was light as buyers re-ordered Spring merchandise and checked on delivery of previously purchased goods. In hardware and electrical appliances continued improvement was noted in shipments.

Steel Industry — Inflationary tendencies in the steel market last week received a setback when, for the first time since the runaway scrap market began, scrap markets turned soft in some districts, declined slightly in others and were poised for a change at such points as Pittsburgh and Chicago, according to "The Iron Age," national metal-working paper, in its review of the steel trade.

Other developments in the current situation which may indicate a slow but orderly return to some sort of normalcy, states the magazine, were a softening in so-called black market or twilight steel prices plus the attainment the past week of a new and significant peacetime peak in steel production. Below the surface, supporting the apparent change in the steel scrap market as well as the high steel operating rate, the trade paper continues, has been a steady increase in the volume of pig iron production since the first of the year with indications pointing to a new high in pig iron output this month.

For the first time since last fall, when bitter competition between various scrap consumers broke out at points distant from the mills and had the effect of raising prices at those points, some major scrap users were out of the market early last week. This action has caused some anxiety in scrap circles and the first definite indication, "The Iron Age" notes, was a softening in scrap prices at Boston, a slight reduction in the average price in New York and a moderate downward trend at Philadelphia.

Quotations last week were steady at Pittsburgh, but reflected no actual change at Chicago. The range at Cleveland on the other hand has been narrowed with a reduction in the top prices for heavy melting steel. Whether or not this sudden weakness in the scrap market portends a sharp drop remains to be seen, the above trade authority observes, but it is definite that the peak has been reached and the trend in scrap prices is downward. Supporting this viewpoint is the fact

(Continued on page 8)

As We See It

(Continued from first page)

Consider the case of the grains, particularly wheat. Here, certainly, is not an "administered price"—that is, a price fixed by an individual or small group of businessmen in a half free and half controlled market. On the contrary, this is one of the relatively few markets in this or any other country which very nearly exemplifies the classical notion of perfect competition. Yet here it is that the most spectacular of recent price increases have taken place. Without question this market has felt pressure of a world demand which exceeds world supply by a substantial margin at prices which until lately have been prevailing. But recent spectacular price changes have had other causes superimposed upon this basic situation. These other causes do not reflect credit upon Government, which has not only been vacillating in its computations of requirements and in its purchases, but which, whether intended or not, has led the markets to misread the current situation. One result appears to be that public buyers have been able to get their grain somewhat cheaper than otherwise might have been the case; another is that those individuals who were obliged to buy wheat in recent weeks have paid much more than would normally have been exacted of them. There can scarcely be any doubt that private interests behaving as the public authorities have done during the past few months would have been accused — and probably convicted — of manipulation.

Of course, in these markets as in all others, similarly situated prices which encourage production and tend to drive out unessential buying are to be regarded as in the public interest. It is by such means that a free economy adjusts itself to that which it has no way of controlling. It is in light of such reasoning that informed observers are disposed to regard some other recent price advances as in the public interest, whether or not we like to pay what is asked at present. Thus if it is necessary to pay current prices for the non-ferrous metals and for steel scrap in order to bring high-cost mines into operation and thus enlarge supply, to draw what is wanted from foreign mines, or to increase the flow of scrap from many potential points of supply, then the public must either pay such prices or get along as best it may with quantities of numerous types of goods which are clearly less than desired. The public is at all times free to make that choice, and it is only the public which can

make the final decision in such matters.

Necessary Adjustments

There are doubtless many other instances in which no just complaint can be made of higher prices. The markets of the country are adjusting themselves to conditions which follow upon the heels of several years of arbitrary price controls during which many elements of cost rose very substantially and at varying rates. It certainly would not be more surprising to find that some prices have not yet adjusted themselves fully to all this than it would be to observe that others may have over-shot the mark. Whatever may be ahead of us at present, it may be taken for granted that some prices will move upward in response to economic factors which can not be denied or ignored if we are to have the supplies we desire. It may or may not be true that others in counter-balancing numbers will decline. That will depend upon many factors now not altogether easy to appraise.

In all such considerations it is vital to bear in mind that beginning several years prior to the war, and continuing, of course, at an accelerating rate during hostilities, the Federal Government at times deliberately and at times, perhaps, unavoidably has been engaged in enlarging the money supply of the people of this nation. Whatever may be one's view of the so-called quantity theory, it may be safely assumed that the influence of this monetary revolution is on the side of higher prices, and will remain so. Contrary to popular conceptions, full production is no antidote for such a disorder. Reduction of this supply by transfer of government obligations from the banks to other holders, or substantial year-to-year reduction in the debt of the Federal Government in the hands of the banks, or preferably both, is the only real remedy. Here again it must be said that public policy is definitely not on the side of price stability or price reduction.

Finally, in appraising current profits and the amounts set aside out of earnings for contingency reserves and the like, the fact must not be overlooked that a dollar is today not what a dollar was in years gone by. If it is just to consider the cost of living in studying wage rates and changes in wages, it is also just to consider the general price level in weighing what business enterprise is earning and what it is putting aside for the proverbial rainy day. The business man who is setting aside funds to carry him

and his enterprise through a possible period of adversity in the future, must, of course, not forget that the cost of "carrying his enterprise through" such a period will be very much larger than was the case only a relatively few years ago.

All such matters must be taken into consideration if the existing price situation is to be understood. Many of them doubtless have influenced the price decisions of countless businessmen during the past few weeks. These leaders in industry and trade must, of course, also remember, as doubtless most of them have, that it may not be altogether wise merely to charge all that traffic appears able and willing for the moment to bear.

FDIC Returns to Philadelphia Banks

The Federal Deposit Insurance Corporation announced on March 4 that it has recovered for and returned to the associated banks of the Philadelphia Clearing House Association, with interest, the \$9,000,000 advanced by them in 1934 to the Integrity Trust Company of that city in a futile effort to prevent the institution from closing its doors. The announcement came from Maple T. Harl, Chairman of the Board of Directors of the Federal Deposit Insurance Corporation. According to Chairman Harl, the recovery of the balance of the \$9,000,000 advanced and its repayment to the 12 banks comprising the Clearing House Association was effected out of the proceeds of the liquidation of the frozen and substandard assets assigned to the Federal Deposit Insurance Corporation by the Integrity Trust Company in January, 1940 when the Federal Deposit Insurance Corporation advanced approximately \$20,000,000 to cover the insured deposits thereby completely protecting all depositors of the Integrity Trust Company. The announcement added:

"Depositors' funds were made available by the Federal Deposit Insurance Corporation through the medium of two paying agents, the First National Bank of Philadelphia in the case of checking deposits and the Western Saving Fund Society of Philadelphia in the case of savings depositors. The 12 Philadelphia banks which had previously advanced the Integrity Trust Company a total of \$9,000,000, received \$6,000,000 of the funds advanced by the Federal Deposit Insurance Corporation in January, 1940 and agreed to look for reimbursement of the remaining \$3,000,000 from the proceeds of the liquidation by the Federal Deposit Insurance Corporation of the pledged assets."

Chairman Harl further stated: "We of the Federal Deposit Insurance Corporation are highly gratified to report that as a result of this transaction no depositor in the Integrity Trust Company has taken a dollar's loss on any account regardless of amount, everyone having been paid in full. The banks which came to the aid of the Integrity Trust Company in 1934 subordinated their deposits for the purpose of protecting the institution and they likewise now have been paid in full. This is Federal deposit insurance in action."

Items About Banks, Trust Companies

The statement of the Chase National Bank of New York for March 31, 1947 made public April 2 shows deposits of the bank at the end of March at \$4,488,156,000 compared with \$4,495,304,000 on Dec. 31, 1946 and \$5,140,087,000 on March 30, 1946. During the past twelve months there was a reduction of \$931,470,000 in the bank's United States Government War Loan deposit, which amounted to \$149,221,000 on March 31, 1947, compared with \$1,080,691,000 on March 30, 1946. Total resources on March 31, 1947 amounted to \$4,860,581,000 compared with \$4,865,535,000 on Dec. 31, 1946 and \$5,498,511,000 a year ago; cash in the bank's vault and on deposit with the Federal Reserve Bank and other banks amounted to \$1,104,330,000, compared with \$1,143,401,000 and \$875,763,000 on the respective dates; investments in United States Government securities at \$2,140,178,000 compared with \$2,221,343,000 and \$2,960,277,000; loans and discounts, \$1,251,549,000 compared with \$1,126,462,000 on Dec. 31, 1946 and \$1,315,612,000 on March 30, 1946. Capital funds of the bank on March 31 and Dec. 31 were as follows:

	Mar. 31, '47	Dec. 31, '46
Capital	\$111,000,000	\$111,000,000
Surplus	154,000,000	154,000,000
Undiv. profits	49,049,000	48,501,000

Tot. cap. funds \$314,049,000 \$313,501,000

Net earnings per share on the 7,400,000 shares of capital stock for the first quarter of this year, compared with the fourth quarter of 1946 are shown in the following table:

	1947 1st Quart. per sh.	1946 4th Quart. per sh.
Net current operating earnings	\$.44	\$.59
Net profits from sales of securities	.03	.00
Tot. net earnings	\$.47	\$.59

Karl A. Panthen, a Vice-President of the Chase National Bank of New York, died on March 30 in Memorial Hospital. Mr. Panthen, who resided in Scarsdale, N. Y., was 57 years of age. He was born in Schenectady, N. Y., and for 10 years had been associated with the General Electric Co. and during the first World War served in the Bureau of Aircraft Production of the U. S. Army. Noting that in 1919 he joined the staff of the Chase National Bank and was successively an officer of the bank and of its affiliate, the Chase Securities Corp., the New York "Times" of March 31 added:

From 1925 to 1927 Mr. Panthen had charge of the bank's branch in Havana.

Subsequently, he resumed his work with securities. In recent years his activities in the Chase organization had been devoted largely to the reorganization of industrial corporations.

He had been a director of many corporations and at his death was a member of the board of the Botany Worsted Mills, the Crown Cork International Corp. and the H. W. Baker Linen Corp.

In 1939 and 1940 the services of Mr. Panthen were lent by the bank to the Associated Hospital Service of New York to develop a new financial system for the "Blue Cross" activities of that organization.

Guy Emerson, Vice-President of Bankers Trust Company of New York, retired from the bank on April 1. He is now in his 25th year of service with the institution. Prior to that he was for six years Vice-President of the National Bank of Commerce, New

York. On May 15 Mr. Emerson will become Chairman of the Executive Committee of the John Price Jones Corporation, 150 Nassau Street, New York, fund-raising and public relations counsel for educational and other philanthropic institutions. He has been a director of the Jones Corporation for 27 years. Besides assisting with fund-raising activities of the Jones Corporation, Mr. Emerson will organize a new affiliate partnership to handle institutional and commercial public relations. He will also continue his activities in various civic undertakings with which he has been identified for many years.

During the First World War Mr. Emerson was Director of Publicity in the Liberty Loan campaigns and in 1941 was the first Chairman of the Executive Committee of the U. S. Treasury Defense Bond Committee for New York State. Mr. Emerson's past associations include: President of the National Audubon Society in 1944; President of the Association of Reserve City Bankers in 1930; Vice-Chairman of the National Red Cross War Funds in Washington from 1941 to 1943; and Chairman of the Advisory Committee of the Office of Civilian Requirements of the War Production Board in 1944. He is a trustee of the Samuel H. Kress Foundation and the Community Service Society of New York and Treasurer of the Eastern Division of the Salvation Army.

The statement of condition of the Manufacturers Trust Co. as of Mar. 31, 1947 shows deposits of \$2,103,695,601 against \$2,286,946,694 on Dec. 31, while resources of \$2,250,225,889 were reported as of Mar. 31, comparing with the figures of \$2,434,252,883 for the Dec. 31, 1946 period. U. S. Government securities as of Mar. 31 are shown as \$1,179,216,424 against \$1,233,148,318 three months ago; cash and due from banks amounted to \$505,278,630 at the latest date compared with \$631,322,811 on Dec. 31. Loans, bills purchased and bankers' acceptances amounted to \$469,166,049 in the latest report against \$475,065,721 on Dec. 31.

Capital funds and surplus account have remained unchanged for the past quarter at \$41,250,000 each, while undivided profits amounted on Mar. 31, 1947 to \$37,683,686 against \$36,529,898 Dec. 31, 1946.

Bank of the Manhattan Company of New York reported as of March 31, 1947 total deposits of \$1,014,512,354 and total assets of \$1,087,398,746, compared respectively with \$1,055,451,016 and \$1,129,958,512 as of Dec. 31, 1946. Cash on hand and due from banks amounted to \$311,538,864 against \$316,145,094; holdings of United States Government obligations, \$321,473,615 against \$378,042,009. Loans and discounts amounted to \$404,094,624, compared with \$385,765,415. Capital remained at \$20,000,000. Surplus remained at \$30,000,000. Undivided profits after reserve of \$600,000 for quarterly dividend increased to \$13,452,534 from \$13,110,036 at the end of December.

The Public National Bank & Trust Company of New York announced in its Mar. 31, 1947 statement of condition that the total deposits were \$503,931,631, compared with \$552,052,883 as of Dec. 31, 1946. Total assets at the end of March were reported at \$539,300,744 against \$588,383,752 at the end of December. U. S. Government securities held by the bank

(Continued on page 16)

Gov. Warren Protests Gasoline Price Increase

California Governor says he'll ask Justice Department to investigate price manipulations on West Coast.

According to an AP despatch from San Francisco on March 20, the gasoline price increase announced by Standard of California, was termed "a plain steal" by Gov. Earl Warren.

The Governor added he would ask the Department of Justice to investigate oil company earnings and "agreements and understandings for the manipulation of gasoline prices on the Pacific Coast to the injury of the public."

Answering Gov. Warren's charges, a Standard Oil spokesman said the "higher gasoline prices were necessitated by higher crude prices. Crude prices had to go up to assure production of the necessary supply of oil for the Western States."

"Product prices are based now, as always, on the costs of doing business. We are sorry Gov. Warren disagrees with our position."

Following the price announcement of Standard Oil of California, Socony-Vacuum Oil Co. also raised its price of all grades of gasolines, kerosene and distillate fuels, which include home heating and Diesel grades .07 of a cent a gallon throughout New York State and New England.



Gov. Earl Warren

Voorhees Food Chief In Occupied Countries

The newly created post of War Department Food Administrator for Occupied Areas is to be occupied by Tracy S. Voorhees, who accompanied Herbert Hoover on his recent food mission to Germany, according to an announcement by Secretary of War Patterson on March 26. The new office was established and Mr. Voorhees, who has been serving as special assistant to Mr. Patterson, was appointed to it on the recommendation of Mr. Hoover and Howard C. Petersen, Assistant Secretary of War, who has responsibility for administration of civil affairs in occupied areas. The move is intended to meet the threat of famine in Germany, Japan and Korea, advices to the New York "Times" from Washington stated on Mar. 26. Mr. Voorhees, who has been acting for Mr. Petersen on food relief problems for occupied areas, will concern himself as Food Administrator with programs for importing food, seed and chemical fertilizers into the occupied countries, Secretary Patterson stated. Besides filling these nations' immediate requirement for food the plan is to enable them to increase their own food production.

House Bill Rejects Warren

The House, by a roll-call vote of 343 to 39, on March 25 passed a reduced appropriations bill, which puts Edgar L. Warren, Conciliation Director, off the Labor Department payroll and cuts in half funds requested for the National Labor Relations Board, Associated Press Washington advices stated. The measure appropriates \$1,694,586,700 for the Labor Department, the Federal Security Agency and related offices for the fiscal year beginning July 1.

The House vote sustained the recommendation of the Appropriations Committee on March 21 that the financial props be removed from under the U. S. Conciliation Service by refusing to pay for Mr. Warren, its Director, and a number of his top aides. The Conciliation Service is the Labor Department's chief means of settling labor-management disputes. In Associated Press advices it was stated:

As it went to the Senate, the bill carried \$89,864,200 for the Labor Department, \$899,045,180 for the Federal Security Agency, \$4,033,700 for the NLRB, \$850,000 for the National (railway) Mediation Board and \$690,793,000 for the Railroad Retirement Board.

The over-all total was \$78,825,520 below the President's budget estimates and \$365,170,277 above current-year appropriations. The increase was due to enlargement of the railroad retirement account.

The action today raised to \$975,898,270 the total cuts in the President's budget on the two big appropriation bills now passed by the House. The two together—carrying funds for the Labor Department-Federal Security Agency and the Treasury-Post Office Departments—account for approximately 40% of the total Presidential budget of \$37,500,000,000 for the fiscal year starting next July 1.

Bradford Exec. V.-P. Of U. S. Chamber

The elevation of Ralph Bradford to be Executive Vice-President of the Chamber of Commerce of the United States was announced on March 24 by the Chamber's Board of Directors. Arch N. Booth, for the last four years his assistant, becomes Manager of the Chamber. The change in Mr. Bradford's title was made upon recommendation of the President and the Executive Committee, as being more nearly commensurate with his executive responsibilities and the over-all public relations and policy character of his work. The change in Mr. Booth's title was made upon the recommendation of Mr. Bradford, in recognition of the increased responsibilities which Mr. Booth has assumed and which he will be asked to assume. Mr. Bradford, who came to the Chamber in 1929 as an Assistant Departmental Manager, has advanced steadily in the organization. He was promoted to departmental manager, became Secretary in 1939, and was appointed head of the organization with the title of General Manager in 1942. The new executive Vice-President was born in Pennsylvania and reared in Texas. Mr. Booth came to the Chamber four years ago from Wichita, Kansas, where he was manager of the Wichita Chamber of Commerce. He took there a leading part in the city's development. As Mr. Bradford's chief aide, he has steadily assumed added responsibilities in the Chamber's management.

Government Employees to Have Loyalty Test

President Truman, in an Executive Order issued March 22, set up machinery for the elimination of subversive or disloyal persons from the Federal service, thus adopting the recommendations of his temporary Commission on Employee Loyalty. Under the order, which covers approximately 2,200,000 executive branch positions, there is to be a Civil Service investigation of the loyalty of every person entering the civilian employment.

of any department or agency of the Executive Branch of the Federal Government. Persons not entering competitive service, and hence not investigated by the Civil Service Commission, are to be subjected to a loyalty investigation by the department or agency employing them. In the introduction to his order, according to Associated Press Washington advices, the President stated that every Government employee "is endowed with a measure of trusteeship over the democratic processes which are the heart and sinew of the United States." Present employees who have not already been checked for loyalty are to be subjected to scrutiny by the Federal Bureau of Investigation. Department heads will be held "personally responsible" for the character of their subordinates.

A "central master index" is to be maintained within the Civil Service Commission of all persons who have undergone loyalty checks by any Department or agency since Sept. 1, 1939. Each department head is to "appoint" one or more loyalty boards, [we quote from the Associated Press] each composed of not less than three representatives of the department or agency concerned, for the purpose of hearing loyalty cases arising within such department or agency and making recommendations with respect to the removal of any officer or employee of such department or agency on grounds relating to loyalty, and he shall prescribe regulations for the conduct of the proceedings before such boards.

It was also indicated in Associated Press account that as a final authority for appeal by employees recommended for dismissal on grounds of disloyalty there is to be "established in the Civil Service Commission a loyalty review board of not less than three impartial persons, the members of which shall be officers or employees of the commission."

"a. The board shall have authority to review cases involving persons recommended for dismissal on grounds relating to loyalty by the loyalty board of any department or agency and to make advisory recommendations thereon to the head of the employing department or agency. Such cases may be referred to the board either by the employing department or agency, or by the officer or employee concerned."

"b. The board shall make rules and regulations, not inconsistent with the provisions of this order deemed necessary to implement statutes and executive orders relating to employee loyalty."

"c. The loyalty review board shall also:

"(1) Advise all departments and agencies on all problems relating to employee loyalty."

"(2) Disseminate information pertinent to employee loyalty programs."

"(3) Co-ordinate the employee loyalty policies and procedures of the several departments and agencies."

"(4) Make reports and submit recommendation to the Civil Service Commission for transmission to the President from time to time as may be necessary to the maintenance of the employee loyalty program."

The Executive Order provides the following standards for judging the employee's, or prospective employee's, loyalty — we quote from the New York "Herald

Tribune" account (Associated Press) of the Order:

1. The standard for the refusal of employment or the removal from employment in an executive department or agency on grounds relating to loyalty shall be that, on all the evidence, reasonable grounds exist for belief that the person involved is disloyal to the government of the United States.

2. Activities and associations of an applicant or employee which may be considered in connection with the determination of disloyalty may include one or more of the following:

A. Sabotage, espionage, or attempts or preparations therefor, or knowingly associating with spies or saboteurs;

B. Treason or sedition or advocacy thereof;

C. Advocacy of revolution of force or violence to alter the constitutional form of government of the United States;

D. Intentional, unauthorized disclosure to any person, under circumstances which may indicate disloyalty to the United States, of documents or information of a confidential or non-public character obtained by the person making the disclosure as a result of his employment by the government of the United States.

E. Performing or attempting to perform his duties, or otherwise acting, so as to serve the interests of another government in preference to the interests of the United States.

F. Membership in, affiliation with or sympathetic association with any foreign or domestic organization association, movement, group or combination of persons, designated by the Attorney General as totalitarian, Fascist, Communist, or subversive, or as having adopted a policy of advocating or approving the Commission of acts of force or violence to deny other persons their rights under the Constitution of the United States, or as seeking to alter the form of government of the United States by unconstitutional means.

The order does not apply to Congress and its employees nor to the Courts and their employees. The President acted only as the head of the Executive branch of the Government. The program, although ordered into effect immediately, still requires an appropriation from Congress of implementing funds.

War Contract Board Members Renamed

It was announced by the Treasury Department on March 13 that the following three members of the Appeal Board of the Office of Contract Settlement (functions of which were transferred to the Department by executive order in December 1946) have been re-appointed, advices to the New York "Journal of Commerce" from its Washington bureau stated:

Raymond P. Baldwin, a member of the New York and Boston bars, former special assistant to the Attorney General, and Assistant General Counsel of the Foreign Economic Administration.

Lawrence E. Hartwig, a member of the New York bar, formerly with the School of Law, University of Oregon.

George O. May, a certified public accountant and formerly a senior partner of Price, Waterhouse & Co.

Supreme Court Asked for Portal Pay Decision

The United States Supreme Court has been asked to immediately review the lower court decision involving the portal-to-portal pay issue in the Mount Clemens Pottery Co. case. Attorney-General Tom C. Clark stated in a petition filed with the Court that the public interest will be "promoted" by prompt settlement of the decision by United States District Court Judge Frank A. Picard denying the pottery plant workers the portal pay claims, according to Washington Associated Press advices Mar. 20. The Government's petition seeks to have the Supreme Court pass on the matter, which has become of historic importance, without previous intervention by the Sixth Circuit Court of Appeals at Cincinnati. The Attorney General, it is said, believes that a prompt ruling by the high tribunal would settle the almost \$6,000,000,000 portal-pay suits filed against companies in numerous States, the multitude of which, he says, "now threatens to embarrass judicial administration in both Federal and State courts and to disrupt industrial relations in the period of reconversion."

Mr. Clark also called attention, it is stated, to the possible effect of such suits on tax refunds which the Treasury might be called upon to make to companies the courts awarded portal-to-portal pay claims.

In reviewing the Mount Clemens case the Associated Press went on to say that the company's workers had recently appealed Judge Picard's decision to the United States Circuit Court in Cincinnati, and continued:

The Supreme Court, in its June, 1946, decision, held that time spent by employees in walking to work after punching the time clock constituted working time under the wage-hour act. It sent the case back to Judge Picard to determine the amount of walking time involved and the amount of preliminary activities, "giving due consideration to the *de minimis* doctrine."

Judge Picard ruled on Feb. 8 that workers are not entitled to portal time except when they are going to their jobs. In the Mount Clemens case, he said,

this time never amounted to more than eight minutes and in his opinion compensation was banned by the *de minimis* doctrine.

Mr. Clark told the Supreme Court that, in the Government's view, "the *de minimis* doctrine requires that account be taken not only of the relative amounts in controversy, but of public interests as well. His petition added:

"Due consideration must be given both to a proper balancing of walking and 'make-ready' time against those periods devoted to personal pursuits during normal working hours and to the expense, difficulty and possible disruption of industrial peace incident to the keeping of records of short intervals of time."

The Supreme Court, which was in recess until Mar. 31, was not expected to announce its action until that time.

Truman to Broadcast Roosevelt Service

In announcing plans for the commemoration of the second anniversary of the death of the late President Franklin D. Roosevelt on Apr. 12, Henry Morgenthau, Jr., President of the Franklin D. Roosevelt Memorial Foundation, disclosed on Mar. 27 that services would be held at Hyde Park, N. Y. at which Mrs. Roosevelt and Robert Sherwood would broadcast, Washington advices to the Associated Press stated. Preceding this President Truman will make a nationwide broadcast from the White House at 4:30 p.m. in honor of the late President. The President is honorary President of the Memorial Foundation.

Steel Operations Lower—Consumer Resistance To Increased Prices Seen in Scrap Break

According to the American Iron and Steel Institute, the operating rate of steel companies having 93% of the steel capacity of the industry will be 95.4% of capacity for the week beginning March 31, compared with 97.0% for the preceding week, 94.4% one month ago and 87.1% one year ago. This week's schedule is equivalent to 1,669,400 tons of steel ingots and castings, compared to 1,697,400 tons one week ago (the highest weekly peacetime tonnage in the history of the industry), 1,651,900 tons one month ago and 1,535,000 tons one year ago. Temporary material shortages, the Institute said, is probably responsible for the slight recession this week, which, however, was the 13th week in succession in which operations have been slated above 90%.

"Scrap prices declined this week in every major district in the country," according to the "Iron Age," national metalworking paper, which in its issue of today (April 3), adds:

"Average quotations on heavy melting steel were down \$2.75 a ton at Philadelphia, \$3.25 in the Youngstown area, \$1.50 at Chicago, \$2 in Pittsburgh, \$2.50 in Boston and \$2.88 in New York.

"The downward trend that appeared last week has now become a definite downward movement and it is almost certain that one of the greatest scrap price peaks in history has been passed. The 'Iron Age' scrap composite price this week reflecting changes at Pittsburgh, Chicago and Philadelphia is \$37.33 a gross ton, down \$2.17 a ton from last week's level of \$39.50.

"Sensing that the trend of scrap prices is definitely downward, scrap consumers are attempting to take advantage of this fact by refraining from buying as far as possible. By this method it is hoped that prices can be depressed further. While there was an indication this week that additional declines in the scrap price level are in order, there was no concrete evidence yet of a drop comparable in speed and degree with the upward trend which began last fall.

"Efforts in some quarters to minimize the effect of the 'memorial strike' in the coal fields this week do not alter the fact that one large producer may be forced to take off as many as eight blast furnaces in the Pittsburgh district because of coke shortages. These units are entirely dependent upon beehive coke for fuel and since beehive coke workers will observe the mine shutdown this week, some firms in the Middle West may feel the effects of the loss in coal for some weeks to come.

"The drop in the steel ingot rate this week is not considered to reflect a downward movement. Gas shortages at Pittsburgh and the probable effects of the coal mine shutdown this week are more responsible than any other factors. This situation is temporary and it is to be expected that normal fluctuations in the steel ingot rate will take place from time to time.

"The relationship between the United States Steel Corp. and the steel workers union continues unruffled and static, but the dilly-dallying in Congress over portal-to-portal legislation might change this serene state of minds. Whether or not Philip Murray, USWA head, can continue to postpone militant action on a wage increase and at the same time keep his membership in check, remains to be seen. The steel corporation will definitely make no wage increase commitments until the danger of portal-to-portal retroactive payments is completely eliminated.

"If the portal-to-portal bill as now written is vetoed by President Truman because it includes labor legislation other than the specific portal-to-portal pay problem, a crisis may develop in the steel labor situation if a new

bill is not almost immediately prepared and passed. The continual deferment in steel wage negotiations is beginning to snap the nerves of some steel workers as well as some steel officials. Labor and management would come to an agreement quickly if the portal-to-portal legislation framed to take care of that problem alone were quickly passed.

"Steel consumers last week in general were not finding steel supplies any easier to obtain but there were additional signs that a more normal market is already in the making. Some companies are making headway in reducing backlogs other than for flat-rolled material. Still other companies report that incoming business in March was not as heavy as in February. Orders so far this year are still running ahead of the same period a year ago but in recent weeks the difference has been reduced.

"While the steel industry has been criticized in some quarters for its alleged inability to furnish greater quantities of pig iron for merchant use, official figures do not support such criticism. Since last August the output of pig iron has advanced steadily while that portion directed to merchant channels has increased at a far greater rate. The increase in the amount of pig iron used for steel-making and for ingot molds increased about 2% from last August to January this year. During the same period the amount of pig iron shipped into merchant trade channels increased 22%.

"The move in the steel industry to reduce extra charges where inequalities have been found—started a few weeks ago by Carnegie-Illinois Steel Corp.—will be broadened to include products in addition to those already announced. Some changes will be made in wire rod and other wire product extras. Studies are also being made on tubular goods items. Action on the latter, may not take place for several weeks. Contrary to predictions in some circles reductions in the base price of steel products will not take place this week and no specific consideration is being given such action at this time."

"Steel," of Cleveland, in its summary of latest news developments in the metalworking industry, on March 31 stated in part as follows:

"Consumer resistance to the current high prices is increasing. Steel buyers are vigorously protesting fantastic prices quoted on spot delivery steel in the so-called 'gray' market. Concurrently, psychological pressure for downward price adjustments on commodities in general is being exerted by government authorities, including President Truman. In this connection the Federal Trade Commission is reported investigating alleged abuse in the marketing of steel products.

"Further downward revisions are expected on scrap, with many mills out of the market and purchases of material from remote points suddenly discontinued at some centers. Indications are, however, that so long as steel plant and foundry operations continue at current high rates, and there is no indication of early decline, the reaction in scrap will be orderly, changes downward likely to be less drastic than those which characterized the upward advance.

"Blizzards throughout the Midwest served to temper the weakness in scrap, slowing down ship-

ments and thus providing a degree of resistance to the declining tendency. Resumption of active shipments and expanding collections should result in renewed pressure on the top-heavy price structure. Various factors contributed to the price break in scrap. The steel mills and foundries have been exhibiting increasing resistance to the high prices, and further, some stocks have been accumulated. Also, current heavy pig iron production has, in limited degree, eased the pressure on scrap. Pig iron output may establish a new all-time record within the next few weeks. However, an acute shortage of iron is expected for some time so that too much relief in the scrap situation cannot be counted upon in that direction, at least not in the immediate future.

"Demand for steel continues as pressing as ever. Flat-rolled products are under extreme pressure and no relief is in sight before late fall at the earliest. Charges by stampers that a larger proportion of hot-rolled sheets is being diverted to cold-reduced mills to their disadvantage is denied by the sheetmakers. The stringency in supply is attributed solely to the enormous demand for flat-rolled coming from all directions of the consuming trade. Plates continue scarce though production is reported gaining, and talk is heard that demand-supply balance may be struck in this commodity late in third quarter. Large bars have been in improving supply position in recent weeks but imposition of new heavy railroad car demands may change the picture in this product over coming weeks."

Russia Rejects U. S. Note on Hungary

The United States note of March 17 to Russian authorities in Budapest, the second in 12 days, protesting that minority groups led by the Communist party in Hungary are "attempting to seize power through resort to extra-constitutional tactics," and requesting a three-power investigation of the situation, was rejected by the Soviet command on March 19. Associated Press advices from Budapest stated. The American note, signed by Brig.-Gen. George H. Weems, American representative on the Allied Control Council for Hungary, addressed to the Russian Lieut.-Gen. V. P. Sviridov, said that Communist tactics are threatening "to continuance of democracy in Hungary." It also renewed the American demand for an inquiry, saying (we quote from the Associated Press):

"The United States Government considers that Powers signatory to the agreement concluded at Yalta in regard to liberated Europe are obligated to take concerted action to investigate political conditions in Hungary.

"In my Government's view it cannot be contended that such an investigation would, as you suggest, improperly impair the legal rights of the Hungarian courts, or that my Government's concern with regard to the case of Bela Kovacs constitutes an infringement of the right of the Soviet occupation authorities to take reasonable measures for maintenance of the security of the occupation forces."

Bela Kovacs, Secretary-General of the middle-of-the-road Small Holders party and a member of the Hungarian Parliament, was recently arrested by the Russians.

Refusing for the second time the American request for an investigation General Sviridov, who is acting Chairman of the Allied Control Commission for Hungary, in a note delivered to General Weems, declared: "I do not find it possible to change my attitude toward your offer for investigation of the existing conditions in Hungary."

NAM Treatise Upholds Present System of Govt. & Business; Stresses Individual Enterprise

The declaration that the American individual enterprise system can be preserved despite the recent world drift toward collectivism and consequent dictatorship, was made on March 29 by the Economic Principles Commission of the National Association of Manufacturers on the basis of a six-year study of the historical background and distinctive features of our economy. The results of the study have been published in a two-volume work of more than 1,100 pages. It is an exhaustive treatise entitled "The American Individual Enterprise System."

The authors, emphasizing that our system can be perpetuated, declare that if we are to do so it is necessary to strike down bureaucracy and overthrow "the dragon of statism."

The NAM Economic Principles Commissions—composed of 16 business executives and economists—was appointed to make a thorough analysis of the philosophy, operations, and achievements of the American economic system because industrial leaders believed the people were not being told all they should know about the American way of life. In its announcement in the matter the NAM says:

"The two-volume work follows the course of the American economic system from Colonial times to the aftermath of World War II. Employment relations, savings and capital formations, money and credit, the role of prices and price determination, transportation, competition and monopoly, business fluctuations, government finance, and government spending are all considered analytically and in detail. The final chapters offer a program for America's future and discuss 'American Industry and the Future.'

"Many factors have been responsible for the American people's rise in individual well-being, in wealth, in income, in security, and in scale of living, the Commission reported. However, it found that our system of representative democracy and our system of individual enterprise have been dominant throughout. We could not have our present system of production and distribution without our present system of government, nor our present system of government without our present system of business."

Making it clear that the books express the views of the authors and not necessarily those of NAM, the writers state that business must "learn to live with reasonable government regulation, and use its influence merely to keep such regulation in proper bounds." The present trend of ever-increasing regulation may be reversed, it is explained, but a return to conditions of the 1920's is considered unlikely. It is expected that the future will see continued administration of social security by State and Federal Governments, and that there will be more "rigidity" in wage scales.

Economic planning by government to cure unemployment and other social ills contains all the dangers of dictatorship, the authors believe.

"In other words, economic planning, if it is to have even a possibility of being effective, must not be faced with the risk of an overthrow through free elections," it is pointed out. "Rather, it must have the indefinite tenure of office that can be obtained only by a dictatorship operating through some form of fascism, socialism, collectivism or centralized bureaucracy, all of which are merely different kinds of statism."

The books were published for the Commission by the McGraw-Hill Book Co., Inc., New York.

Among members of the Economic Principles Commission, which produced the books, were:

Robert R. Wason, President, Manning, Maxwell & Moore, Inc.; Chairman, Economic Principles Commission, NAM, 1943-1945;

President, National Association of Manufacturers, 1943; Robert W. Burgess, Chief Economist, Western Electric Co., Inc.; Former Vice-President, American Statistical Association; W. W. Cumberland, Partner, Ladenburg, Thalmann & Co.; former Foreign Trade Adviser, U. S. Department of State; former Professor of Economics, University of Minnesota; John Hanna, Professor of Law, Columbia University; Donald J. Hardenbrook, Vice-President and Director, Union Bag & Paper Corp.; former Chairman of the Board, Econometric Institute; former Member of N. Y. Stock Exchange; Broderick Haskell, Vice-President, Guaranty Trust Co. of New York; Willford I. King, Professor of Economics, New York University; former President, American Statistical Association; Harley L. Lutz, Professor of Public Finance, Princeton University; Chief Economist, The Tax Foundation, former Professor of Economics at Oberlin College and Stanford University; former President, National Tax Association.

Results of Treasury Bill Offering

The Secretary of the Treasury announced on March 31 that the tenders for \$1,300,000,000 or thereabout of 91-day Treasury bills to be dated April 3 and to mature July 3, which were offered on March 28 were opened at the Federal Reserve banks on March 31.

Total applied for \$1,721,799,000. Total accepted, \$1,303,249,000 (includes \$15,259,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.095+; equivalent rate of discount approximately 0.376% per annum.

Range of accepted competitive bids:

High, 99.907, equivalent rate of discount approximately 0.368% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(75% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on April 3 in the amount of \$1,311,277,000.

Dealer Consents To Injunction

J. J. LeDone Co., however, does not admit facts of alleged fraud in complaint filed by SEC.

On March 26 in New York City, Federal Judge Edward A. Conger permanently enjoined Joseph J. LeDone, trading in oil and gas stocks and oil royalties as J. J. LeDone Co., from further alleged violations of fraud provisions of the Securities and Exchange Acts of 1933 and 1934. LeDone consented to the judgment but without admission as to the facts alleging fraud filed against him by the Securities Exchange Commission.

The SEC complaint alleged that oil royalties were sold by LeDone at considerably more than the value of recoverable oil. In support of its accusation the SEC said that investors had placed \$416,078 to acquire rights to the proceeds from the sale of recoverable oil worth \$272,890.

Congress Would Place Curbs on Foreign Relief

The House Foreign Affairs Committee on March 19 approved a measure to send \$350,000,000 in relief funds to war-torn countries, but set up within the enabling resolution numerous restrictions upon its disbursement. It specifically stated that the money was to be limited to the following, according to an Associated Press dispatch from Washington: "Food, medical supplies, processed and unprocessed materials for clothing, fuel, fer-

tizer, pesticides and seed." To be provided in the form of transfers of supplies or establishment of credits in this country, under the direction of the President, the relief assistance could be extended only until June 30, 1948. All supplies transferred or otherwise made available are to be distributed among the people of the designated country under the supervision of United States representatives in that country.

The resolution as reported in Associated Press accounts from Washington stipulates that "no relief assistance shall be provided under the authority of this joint resolution to the people of any country unless the Government of such country has given assurance satisfactory to the President that:

(a) The supplies transferred or otherwise made available pursuant to this joint resolution, as well as similar supplies produced locally or imported from outside sources, will be distributed among the people of such country without discrimination as to race, creed, or political belief;

(b) Representatives of the Government of the United States and of the press and radio of the United States will be permitted to observe freely and to report fully regarding the distribution and utilization of said supplies;

(c) Full and continuous publicity will be given within such country as to the purpose, source, character, scope, amounts and progress of the United States relief program carried on therein pursuant to this joint resolution;

(d) If food, medical supplies, fertilizer or seed is transferred or otherwise made available to such country pursuant to this joint resolution, no articles of the same character will be exported or removed from such country while need therefor for relief purposes continues;

(e) Such country has taken or is taking, in so far as possible, the economic measures necessary to reduce its relief needs and to provide for its own future reconstruction;

(f) Upon request of the President, it will furnish promptly information concerning the production, use, distribution, importation and exportation of any supplies which affect the relief needs of the people of such country; and

(g) Representatives of the Government of the United States will be permitted to supervise the distribution among the people of such country of the supplies transferred or otherwise made available pursuant to this joint resolution.

Senate Group Urged to Approve Service Merger

Heads of both the Army and Navy have told the Senate Armed Services Committee that a merger of the two branches of the nation's armed forces into a single department, with co-equal status for the Air Forces, would be the most successful means of making the United States militarily strong. The Committee is holding hearings on President Truman's proposal to unify the services under one Cabinet officer. On March 18, Secretary of the Navy James Forrestal declared before the Committee, according to Associated Press Washington advices:

"This bill provides an organization which will allow us to apply the full punitive power of the United States against any future enemy. It provides for the coordination of the three armed services, but what is to me even more important than that, it provides for the integration of foreign policy with national policy."

Mr. Forrestal who, with all other top-ranking Navy men, strenuously opposed a similar merger bill last year, said that the present bill is a compromise and asked that Congress not alter it lest the plan "be thrown out of balance." He went on to say that the War and Navy Departments have agreed that the present plan "is a sound and workable accommodation" between differing points of view. The proposal for unification is one which has long been pending; but the armed forces committee is not primarily concerned with foreign policy matters.

On March 20 Secretary of War Robert P. Patterson added his recommendation for early approval of the measure as one which would be regarded throughout the world as a strengthening by this country of its national defense. Mr. Patterson also pointed out that the proposed unification bill would serve to strengthen national defense "without calling for the expenditure of more funds." He said that in that respect it is "unique," and that "other measures to strengthen national defense call for the spending of more money."

To questions of the Committee as to whether the Secretary of National Defense provided for in the bill might have too much in-

dividual power, Mr. Patterson replied that provisions in the bill afford ample safeguard against domination by the Secretary with Cabinet rank.

Permits NASD Membership To Firm Employing Disqualified Individual

SEC rules on petition in behalf of Leason & Co., Inc., employing Lowell Niebuhr, head of firm that had been expelled from NASD.

In a decision released on March 28, the SEC approved continuance in NASD membership of Leason & Co., Inc., of Chicago, while employing Lowell Niebuhr, who was President of Lowell Niebuhr & Co., Inc., a firm which had been expelled from NASD membership for violation of the Association's rules of fair practice. The Board of Governors of the NASD sponsored the application and indicated it has no objection to Niebuhr's employment by Leason & Co., Inc., but it requested approval of SEC because of the statutory prohibition from continuing Leason & Co., Inc., in membership in the absence of such approval.

According to the SEC's decision, evidence was taken at the NASD hearing preceding the present application, which showed that Niebuhr is adequately supervised by the Leason firm in his activities as a trader and that his relations with the firm's customers have been satisfactory. It appeared further that Niebuhr has no financial interest in Leason & Co., Inc., and does not participate in the corporate management of the firm.

No Bust, But a Balanced Economy

(Continued from first page)

by the end of 1947 and throughout 1948.

Those who still prophesy a recession are ignoring three significant facts. First, inventory accumulation is giving way to inventory balance. Manufacturers, wholesalers and retailers have stopped hoarding merchandise and supplies in anticipation of further price increases. More significantly, they are getting ready for the early reappearance of good qualities, sound workmanship and effective styling. Commodities are being channeled into distribution as fast as they can be fed. Speculative hoarding of goods which was a major cause of the 1920-21 collapse is rapidly becoming the exception in business rather than the general practice.

Second, America's capacity to produce is increasing daily. And, significantly, our actual output is constantly expanding. The inexperienced labor population of the war period is becoming a seasoned working force. Goldbricking, a practice encouraged by labor and condoned by management during wartime scarcities of manpower and goods, is quickly giving way to higher efficiency standards and the weeding out of unnecessary workers. Simultaneously with the rising efficiency of labor is the replacement of obsolete and inefficient machinery by up-to-date equipment. Much of it is still on the order book. But the important thing is that industry is clamoring for it and that the suppliers are turning out as much as their facilities permit.

Finally, and here lies the crux of our economic future, American business is determined to become more efficient and to turn out more than ever before. To be sure there are still many enterprises that are guided by yesterday's dreams of a lasting sellers' market rather than the stark realization of tomorrow's buyers' market. Fortunately, these establishments are in a minority. For them the outlook is not only one of recession but elimination from the market. And precisely because their superior competitors are able and willing to expand output and take over the job of satisfying the market demand, there need be no recession. In my opinion, there will be no recession.

The balanced economy which I confidently anticipate in the second half of 1947 will be characterized by:

A physical volume of production larger than at any time in our history;

Employment to continue at the present level and perhaps to go slightly above it;

Prices to be generally 10 to 15% lower in the second half of 1947, compared with present levels, both in durable and soft goods;

Our national income to be from \$10 to \$15 billions lower—as a result of price adjustments now taking place and increased productivity per man hour which will become fully evident in the last six months of 1947.

Thus the predicted decline in prices will be the result of a balanced economy in high efficiency gear rather than the product of overexpanded inventory and the cause of a collapse, as in 1920-21.

Supplies of soft goods to be in balance with demand at the lower price level, while supplies of durable consumers' goods will be close to a balanced position.

Last, not least, it should be emphasized that the buyers' market of tomorrow will be that of a high-output economy rather than that of a depressed market.

This fact cannot be too strongly stressed. The consumer of tomorrow will be selective. He will not be resentful. The pent-up de-

mand is still with us. So is the purchasing power to back it up. But this pent-up demand is no longer promiscuous as to quality and indifferent as to style. It will choose among the sellers and accept only that merchandise which is the merchandise of tomorrow in quality, workmanship, and style. Here lies the key that opens the gates to tomorrow's market.

Inventories in the men's apparel field are badly concentrated today. Too much of it is in the upper price ranges, of fair quality, and gives little evidence of style-consciousness. Also size and style ranges are as yet too limited. For what reason there exists a real danger for the individual store that its inventory today will be too large when the price and quality ranges now missing from the market flow again freely. And most of the pent-up demand is precisely for that merchandise which is not found in the current market. The store which loads up indiscriminately with goods as they become available is in for a rude awakening. The same holds true of mills, converters and other links in the chain which finally leads to the ultimate consumer.

Fortunately, many producers and retailers are making their readjustments in inventory. They are clearing their shelves and setting their sights at tomorrow's market. They realize the folly of pumping into the market excessive quantities in prices that can no longer be paid by the average consumer. These merchants are fully aware of the fact that an expanding volume of output generates caution and selectivity on the part of the buying public. They realize that demand is postponable when better merchandise and style are in prospect.

I therefore submit for your careful consideration my first recommendations:—Check your inventory with a view to its soundness when you add to your present stock merchandise that has long been absent from your store. Will your current inventory still bear its normal share of total inventory? Or, will you be overstocked in certain price brackets and size ranges? If so, my advice is not to wait until this realization becomes industry-wide and cut-throat competition drives prices way below actual value.

Another area of store operations which demands careful appraisal is productivity of sales personnel. The indifference and inertia acquired through years of easy selling is not eradicated overnight. The buyers' market is not yet here in the men's apparel field. Sales people need not as yet recast their approach to the customer in order to draw down the same amount of commissions which they earned last month or in the months before.

But the time is rapidly approaching when selling will once more be imperative in the apparel field. Only then it will be too late. Efficient selling is an art, not a trade. To gain the customer's patronage and his repeat business requires tact, skill and knowledge. It is not yet too late, but certainly not too early, to examine your selling force with these objectives in view. Incidentally, it may be well to point out that many a sale of tomorrow is being effectively killed today by ineffective salesmen.

The store that wants an effective sales force tomorrow must accomplish three objectives. It must inculcate into its help a thorough appreciation of the store individuality which you are aiming at. Your men must know precisely in what manner you propose to serve your customers, which clientele you are trying to build up, what you desire to emphasize most strongly in your promotions: fash-

ion, quality, or price. Your men must also know well in advance what your buying program is; qualities and size ranges that you expect to receive.

Remember, in a buyers' market, one dissatisfied customer is far worse than one lost sale, particularly, if the sale need not be lost but can skillfully be converted into a postponed purchase at your store.

My second recommendation therefore is:—Make your sales training program an immediate must. No matter how recently you may have initiated it, check it carefully and frequently as we approach the buyers' market. Make your sales force an integral part of your store individuality. Infuse them with your enthusiasm and initiative.

The next area which requires examination is your overhead expenses. Store rents are on the upward grade, and will remain so for several years. Every square foot of selling space must therefore yield a larger dollar revenue in order to return the same rate of operating profit. In the average store, out of every dollar taken in, five cents go for rent and five cents remain as operating profit, before interest, taxes and other fixed charges. If store rents rise by 20%, it will mean that you will have to sell \$1.25 for every dollar now taken in, if you are to have the same five cents of operating profit. Store-wide, you must sell 25% more than you did in 1946.

That is, if you cannot reduce some of your other expenses. There is ample reason to believe that non-selling personnel is still a war-inflated item. More efficient office equipment, simplified billings procedures, improved floor layout are the more obvious sources of appreciable savings.

My third recommendation to you:—Get maximum utilization out of your space area. Eliminate all possible waste in your non-selling departments.

Next, and of prime significance, is your store's individuality. The time is rapidly passing when you can safely promote your establishment as a "we-have-it-also" store. Chain stores as well as department stores are increasing stress on quality and price. To compete against them on this score is at best a profitless undertaking; at worst, it spells early failure.

Yet, there is more need than ever before for the genuine services of independent men's apparel stores. Men in the income brackets above \$5,000 are literally searching the market for style merchandise and real apparel store service. These men do have suits, coats, shirts and other accessories. But these are 1941 models. And what these men want are 1948 models and qualities in 1947. They don't want to look dressed. They want to look well dressed; fashionably clothed; well outfitted.

To fit the clothes to the men is the traditional and timeless task of the independent store. It has been and must again become his mark of distinction; rather than the wartime selling job of fitting the man to the suit on the rack. No chain store, no department store can fill this special assignment completely. It may come close to it; but it cannot, by the very nature of its organization, do it full justice. That is the intra-industry competition that you must face. Unless you achieve this goal, the big outfit will have enough of an edge on you to make you give way.

My fourth recommendation to you therefore is:—Become the merchant for your customer and cease to be the seller for the manufacturer. Let your store reflect your personality, your vision, and your service to your customers and you need not fear competitors. As a merchant-leader in your field you have individuality. As a mere competitor you are only an also-ran.

The State of Trade

(Continued from page 3)

that for several weeks higher prices have brought better shipments of scrap and in some cases large consumers have built up enough supplies to enable them to take a chance on staying out of the market as a protest against ridiculously high scrap prices.

Brokers and other purveyors of steel at more than the so-called legitimate mill or warehouse price have become anxious during the past few weeks as to their ability quickly to dispose of steel in their hands or supplies over which they have control. This state of mind, "The Iron Age" points out, has been reflected in a substantial drop in so-called premium prices over the past few months and these so-called high premium markets may be a thing of the past within the next few months.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 93% of the steel capacity of the industry will be 95.4% of capacity for the week beginning March 31, 1947, as compared with 97.0% one week ago, 94.4% one month ago and 87.1% one year ago. This represents a decrease of 1.6 points or 1.6% from the preceding week.

The week's operating rate is equivalent to 1,669,400 tons of steel ingots and castings compared with 1,697,400 tons one week ago, 1,651,900 tons one month ago and 1,535,000 tons one year ago.

Electric Production—The Edison Electric Institute reports that the output of electricity decreased to 4,759,066,000 kwh. in the week ended March 22, 1947, from 4,763,843,000 kwh. in the preceding week. Output for the week ended March 22, 1947, was 18.5% above that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 203,000,000 kwh. in the week ended March 23, 1947, compared with 178,500,000 kwh. for the corresponding week of 1946, or an increase of 13.7%. Local distribution of electricity amounted to 194,000,000 kwh. compared with 177,500,000 kwh. for the corresponding week of last year, an increase of 9.3%.

Railroad Freight Loadings—Car loadings of revenue freight for the week ended March 22, 1947 totaled 244,041 cars, the Association of American Railroads announced. This was an increase of 2,894 cars, 0.3% above the preceding week, and 39,435 cars or 4.9% above the corresponding week for 1946. Compared with the similar period of 1945, an increase of 27,300 cars or 3.3% is shown.

Paper and Paperboard Production—Paper production in the United States for the week ended March 22, was 105.8% of mill capacity, against 107.2% (revised figure) in the preceding week and 105.0% in the like 1946 week, according to the American Paper & Pulp Association. This does not include mills producing newsprint exclusively. Paperboard output for the same week was 103%, compared with 104% in the preceding week and 99% in the corresponding week a year ago.

Production of paper and paperboard during January, 1947, at 1,762,929 tons, was 185,178 tons above December, the Census Bureau reported.

Wholesale Food Price Index Off Sharply—Following the steady movement of last week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., declined sharply last week to stand at \$6.56 on March 25. This compared with \$6.70 on March 18, a drop of 2.0%, and was 3.1% under the all-time high of \$6.77 recorded on March 4. The current figure compares with \$4.18 on the corresponding date a year ago.

The week's advances included corn, oats, barley, beef, cocoa, beans, eggs, potatoes and hogs. Declines occurred in wheat, rye, hams, bellies, butter, coffee, cottonseed oil, raisins, currants, prunes, steers and lambs. The index represents the sum total of the price per pound of 31 foods in general use.

Daily Wholesale Commodity Price Index—The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved irregularly in the past week. After trending irregularly downward for three days the index turned upward to stand at 268.03 on March 25. This compared with 269.25 on March 18, and with 187.56 on the like date a year ago.

Violent price fluctuations featured the leading grain markets last week. Values moved upward early, March wheat reaching \$3.05 per bushel or within 20 cents of its all-time peak, and corn touched new high ground since 1920. Then came several days of heavy selling, causing sharp losses in wheat and corn prices, followed by an upturn in late trading which wiped out most of the earlier declines. Bullish sentiment resulted largely from reports of a constantly tightening wheat supply situation and the announcement of May export allocations of grain, showing that about 23,000,000 bushels of wheat and wheat flour and a like amount of corn should be shipped abroad that month. Heavy export flour sales and active buying of corn futures by export interests were noted as the week closed. Cash lard quotations were about the same as a week ago but the undertone appeared to be easier due to growing consumer resistance to paying high prices for lard and other shortening. Butter prices continued to weaken, reflecting more liberal offerings, but livestock markets on the other hand were fairly steady.

Cotton values in both spot and futures markets registered further moderate gains in the past week, after fluctuating irregularly during the period. A decline at mid-week was largely influenced by the reactionary movement in grains but the downward was held in check by short covering and active mill price fixing. Strengthening factors in late dealings were attributed to a lessening of selling pressure, fairly good replacement buying and the continued tightness in the supply position of the staple. In line with preliminary estimates, the Census report on domestic consumption of cotton during February indicated a continuing high rate of mill activity. Consumption last month was placed at 840,463 bales as compared with 746,994 bales in February a year ago. Total consumption for the seven months of the current season was 6,044,326 bales, against 5,152,778 bales last year, an increase of 17.3%. Ginnings from the 1946 crop were reported at 8,514,489 running bales, according to the Census Bureau. This was about 3% below those of the previous year and 28% below two years ago.

Trading in domestic wools in the Boston market continued irregular. A fair volume of sales was recorded for the week, mostly in worsted types. Sales of foreign apparel wools were limited by scarcity of offerings. Imports of foreign wools into the ports of New York, Boston and Philadelphia during the first half of March were at a very high level.

Retail and Wholesale Trade—Total retail volume rose moderately last week. All though dollar volume was moderately above that of the corresponding week a year ago, most retailers reported

that unit sales were slightly below the usual pre-Easter level, states Dun & Bradstreet, Inc. in its current survey of trade. Cold weather toward the end of the week curtailed retail trade slightly in some sections. The demands for jewelry, candy and other gift items rose slightly but considerable resistance to high prices was reported.

Women's apparel volume increased moderately last week. Medium-priced dresses and suits continued to be popular, but some style resistance was noted. The demand for blouses, lingerie and handbags was high. Interest in footwear rose noticeably and requests for men's black shoes were especially numerous. The supply of men's shirts, suits and topcoats improved and consumer interest in these items remained at a high level.

The demand for builders' supplies and hardware remained strong the past week with some improvement in the supply of these items reported. Interest in electrical appliances remained at the high level of previous weeks but consumers continued to insist on well-known brands. Sales of toys, games, sporting goods and luggage increased moderately. The demand for bedroom and dining-room furniture was high and some improvement in stocks noted.

Retail food volume continued at a high level last week and was considerably above that of a year ago. Consumers continued to display considerable resistance to high meat prices. Shortages of canned pineapple and some soap products were reported but most foods were available in ample quantities. The demand for fresh fruits and vegetables was high and interest in canned fish rose moderately. Baked goods in most localities were in heavy demand. Retail volume for the country at the close on Wednesday of last week was estimated to be from 9 to 13% above that of the corresponding week a year ago. Regional estimates exceeded those of a year ago by the following percentages: New England and Southwest 8 to 12, East and Northwest 10 to 14, Middle West 7 to 11, South 9 to 13 and Pacific Coast 12 to 16.

Although trading in wholesale centers remained light last week, high prices kept total dollar volume moderately above that of a year ago. Unit sales of most durable goods continued to compare very favorably with those of the corresponding 1946 week, reflecting chiefly the greatly improved supply condition of these items. Unit sales in many non-durable goods lines continued to be slightly above those of a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended March 22, 1947, increased by 12% above the same period of last year. This compares with an increase of 10% in the preceding week. For the four weeks ended March 22, 1947, sales increased by 10% and for the year to date by 13%.

Retail trade in New York the past week held to about the same pace or rate of gain as in previous weeks with department store sales estimated at 10% above those of last year. Demand for apparel in the week tapered off resulting in a decline for specialty shops.

It was reported that last-minute efforts to dress up Easter retail stocks provided some impetus to activity in the wholesale garment business. The market according to present indications is preparing to concentrate on lower price ranges at shorter mark-ups to overcome consumer price resistance. In primary markets cottons, rayons, worsteds and gabardines continue to move well but other woolen goods in fall lines recently opened were reported moving sluggishly.

Wholesale food prices last week were featured by a decline from the recent highs notwithstanding uncertain trends and wide fluctua-

tions in the basic commodity markets.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to March 22, 1947, increased 13% above the

same period last year. This compared with an increase of 9% (revised figure) in the preceding week. For the four weeks ended March 22, 1947, sales rose 11% and for the year to date increased to 14%.

'Blueprint for American Business'

(Continued from first page)

great stake in world peace. Peace can mean the opening of the channels of international trade. There is a huge backlog of unsatisfied consumer demand in the domestic market but when the day of an exportable surplus comes, business will need the open channels of a world market. In the larger sense, the autarchy of the 1930's, the trade barriers, quotas, and cartels of the prewar era will operate as a constant threat to peace.

To the businessman and individual taxpayer, world peace is a desirable practical aim. The President's budget for the coming year asks 11 billion dollars for defense. This is 30% of the total. This is more than the total cost of our Federal Government before 1940. Peace will mean the possibility of tax savings to all American people.

(2) American business desperately needs industrial peace. We talked glibly about production for the postwar era. The postwar era is here but not full production. Strife between management and labor is to a large degree responsible for that condition. Both these great factors in our productive system must exhibit more statesmanship in the future than they have in the past. This means mutual understanding and concessions for the benefit of all.

No one denies the permanence of gains made by labor after a long period of struggle. Labor has won recognition of the right to organize, to bargain collectively, and to strike. But big labor is no longer an unequal match for big business, big agriculture, and big government. Therefore, it has become increasingly evident that the Wagner Act is too heavily weighted on the side of labor. In the light of recent experience, it is not too much to ask now that labor be held equally responsible with business for violations of contract and subject to the anti-trust laws. The secondary boycott is untenable and there can be no right to strike against the public safety and welfare. Certainly, an employer should have the same constitutional right of free speech guaranteed to labor. Among these are to oust from its ranks, Communists and racketeers, wherever they may appear and to maintain a consciousness of the needs of the public.

(3) American business needs a return to sanity in public finance. In South Dakota we have the perhaps antiquated notion that economy in government is a virtue and that taxes are paid by people. We believe also that the functions of government should be also handled that they can be comprehended by the limited mind of man. And we have possibly the irreverent philosophy that the Federal Government is not the giver of the more abundant life.

We are now offered a Federal budget calling for a total of 37½ billion dollars. This is not so much a budget as a request for expenditures. There never was a request for expenditures made that could not be cut and an expenditure does not become sanctified merely because it is made by a government agency.

It is plain that a Federal budget of from 35 to 40 billion dollars means any hope of substantial tax reduction is a snare and a delusion. 65% of the President's budget goes for three items: defense, veterans, and interest on the public debt. The first two cannot be considered on emotional and political bases alone. There can be

no debt reduction without reduction in expenditures and tax relief waits on both.

Budget reduction is impossible as long as any agency of government wants to spend on a WPA or wartime basis. Today, we have two and a half million Federal employees and I have never heard of a Federal agency that committed suicide or voluntarily dissolved.

We are probably going to have to be resigned to a Federal tax bill next year of somewhere around 30 billion dollars. If so, it may be possible to make moderate reductions in individual and corporate income taxes.

(4) Business must help bring about a revaluation of our philosophy of business and government. We cannot continue to live by the theory that the only solution of our problems is in the creation of a governmental agency or the perpetuation of one already in existence. This is a form of paranoia to which instruments of government are particularly susceptible.

Business has always cried loudly against government control. Now let business demonstrate that it has the character and the capacity to operate a free enterprise system without greed, without government interference, and with due regard for the public interest. This is a responsibility businessmen and trade associations cannot escape.

It is not enough for business to beat itself on the breast and drool with pious unctious about free enterprise and capitalism. Business must demonstrate in action that these terms describe an economy of production and consumption with the objective of fairness and justice to the greater enrichment of all America.

Business has done a remarkable job of advertising goods and gadgets but a woefully poor job of selling itself to the American people. Even students question the ethics and morals of business. A great many people consider all business suspect and that there is something sinister about the word profit. Others believe corporation is a synonym for unscrupulous and capitalism is a definition for greed. Too few people have any conception of the amount of taxes paid by business and little understanding of the meaning of a free market.

To combat these untruths and prejudices, business faces the greatest selling job in its history. It needs desperately to tell its story simply and honestly to the American people and then to back it up with a record of performance that demonstrates the integrity of this position.

Finally, we all need to redefine some glittering words in the English language. Instead of talking so much of rights and profits we need to talk more of obligations and services. Instead of speaking in sepulchral tones of social security and liberalism we need to talk plainly about thrift, hard work, and fundamentals. Instead of drooling about democracy and the good life, we need to practice self restraint as the cornerstone of self government and to realize that there is no Utopia where no one will ever have to work or worry.

I have faith that American business can meet these problems if it will but honestly and resolutely steel itself to the task. Then we shall sketch a blueprint upon which a greater America will be built.

Moody's Bond Prices and Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

1947 Daily Averages	U. S. Govt. Bonds	Avg. Corpo- rate*	Corporate by Earnings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Apr. 1	122.11	117.40	122.50	120.43	117.00	110.15	112.50	118.60	121.04
Mar. 31	122.24	117.40	122.50	120.43	117.00	110.34	112.75	118.60	121.04
29	122.27	117.40	122.50	120.43	117.20	110.34	112.75	118.60	121.04
28	122.27	117.40	122.50	120.43	117.20	110.34	112.75	118.60	121.04
27	122.27	117.40	122.50	120.43	117.20	110.34	112.75	118.60	121.04
26	122.27	117.40	122.50	120.43	117.20	110.34	112.75	118.60	121.04
25	122.24	117.40	122.29	120.22	117.00	110.34	112.75	118.40	121.04
24	122.24	117.40	122.29	120.22	117.00	110.34	112.75	118.40	121.04
23	122.27	117.40	122.29	120.22	117.00	110.34	112.75	118.40	121.04
22	122.24	117.20	122.29	120.22	117.00	110.15	112.56	118.40	121.04
21	122.24	117.40	122.29	120.22	117.00	110.34	112.75	118.40	121.04
20	122.24	117.40	122.29	120.22	117.00	110.34	112.75	118.40	121.04
19	122.24	117.20	122.29	120.22	117.00	110.34	112.75	118.40	120.84
18	122.27	117.20	122.09	120.02	117.00	110.34	112.75	118.20	121.04
17	122.27	117.20	122.09	120.02	117.00	110.34	112.75	118.20	120.84
16	122.27	117.20	122.09	120.02	117.00	110.34	112.75	118.20	120.84
15	122.27	117.20	122.09	120.02	117.00	110.34	112.75	118.20	120.84
14	122.27	117.20	122.09	120.02	117.00	110.34	112.75	118.20	120.84
13	122.24	117.20	122.09	120.02	117.00	110.34	112.75	118.20	120.84
12	122.20	117.20	122.09	120.02	117.00	110.34	112.75	118.20	120.84
11	122.20	117.20	122.09	120.02	117.00	110.34	112.75	118.20	120.84
10	122.17	117.20	122.09	120.02	117.00	110.52	112.75	118.40	120.84
9	122.17	117.20	122.09	120.02	117.00	110.52	112.75	118.40	120.84
8	122.17	117.20	122.09	120.02	117.00	110.52	112.75	118.40	120.84
7	122.17	117.20	122.09	120.02	117.00	110.52	112.75	118.40	120.84
6	122.20	117.20	122.09	120.02	117.00	110.52	112.75	118.20	120.84
5	122.14	117.20	122.09	120.02	117.00	110.52	112.75	118.20	120.84
4	122.20	117.20	122.09	120.02	117.00	110.52	112.75	118.20	120.84
3	122.20	117.20	122.09	120.02	117.00	110.52	112.75	118.20	120.84
2	122.20	117.20	122.09	120.02	117.00	110.52	112.75	118.20	120.84
1	122.20	117.20	122.09	120.02	117.00	110.52	112.75	118.20	120.84
Feb. 28	122.20	117.20	122.09	120.02	117.00	110.52	112.75	118.40	120.84
27	122.14	117.40	122.09	120.22	111.20	110.70	112.93	118.40	121.04
26	122.20	117.40	122.09	120.02	111.20	110.88	113.12	118.40	120.84
25	122.20	117.40	122.09	120.02	111.20	111.07	113.31	118.60	120.84
24	122.08	117.40	121.88	120.22	117.40	110.88	113.31	118.80	120.63
23	122.39	117.60	121.88	120.43	117.40	110.88	113.31	118.80	120.63
22	122.24	117.40	121.88	120.22	117.40	110.70	113.12	118.60	120.84
21	122.17	117.20	121.67	119.82	117.20	110.52	113.12	118.40	120.43
20	122.14	116.80	121.25	119.61	116.80	110.15	112.75	118.00	120.02
19	122.17	116.80	121.04	119.61	116.80	110.15	112.56	118.00	119.82
18	121.92	116.61	120.84	119.20	116.61	109.97	112.37	117.60	119.82
17	121.92	116.61	120.63	119.20	116.41	109.97	112.37	117.40	119.61
16	121.74	116.22	120.84	119.00	116.22	109.60	111.81	117.40	119.61
15	121.55	116.22	121.04	118.80	116.02	109.60	111.81	117.60	119.61
14	121.77	116.61	121.04	119.20	116.22	110.34	112.19	117.60	120.02
13	121.08	116.61	121.04	119.00	116.61	110.15	112.37	117.80	119.82
12	122.92	118.40	122.71	120.43	118.00	112.37	114.85	118.80	121.25
11	123.77	118.60	123.13	121.04	118.40	112.56	115.63	119.20	121.46
10	124.11	118.80	123.34	121.25	118.40	112.56	116.02	119.20	121.46
9	123.09	118.80	122.92	121.46	118.40	112.56	116.22	119.00	121.04
8	124.33	119.00	123.34	121.25	118.40	113.12	116.41	119.41	121.04
7	125.61	119.82	123.99	122.29	119.41	114.27	117.40	120.22	122.09
6	122.39	117.60	122.50	120.43	117.40	111.07	113.31	118.80	121.25
5	122.08	116.80	121.04	119.61	116.80	110.15	112.56	117.80	120.02

1947 Daily Averages	U. S. Govt. Bonds	Avg. Corpo- rate*	Corporate by Earnings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Apr. 1	1.54	2.78	2.53	2.63	2.80	3.16	3.03	2.72	2.60
Mar. 31	1.53	2.78	2.53	2.63	2.80	3.15	3.02	2.72	2.60
29	1.53	2.78	2.53	2.63	2.79	3.15	3.02	2.72	2.60
28	1.53	2.78	2.53	2.63	2.79	3.15	3.02	2.72	2.60
27	1.53	2.78	2.53	2.64	2.79	3.15	3.03	2.72	2.59
26	1.53	2.78	2.53	2.64	2.80	3.15	3.02	2.72	2.60
25	1.53	2.78	2.54	2.64	2.80	3.15	3.02	2.73	2.60
24	1.53	2.78	2.54	2.64	2.80	3.15	3.02	2.73	2.60
23	1.53	2.78	2.54	2.64	2.80	3.15	3.02	2.73	2.60
22	1.53	2.79	2.54	2.64	2.80	3.16	3.03	2.73	2.60
21	1.53	2.78	2.54	2.64	2.80	3.15	3.02	2.73	2.60
20	1.53	2.79	2.54	2.64	2.80	3.15	3.02	2.73	2.60
19	1.53	2.79	2.54	2.65	2.80	3.15	3.02	2.73	2.61
18	1.53	2.79	2.55	2.65	2.80	3.15	3.02	2.74	2.60
17	1.53	2.79	2.55	2.65	2.80	3.15	3.02	2.74	2.61
16	1.56	2.79	2.55	2.65	2.80	3.15	3.02	2.74	2.61
15	1.56	2.79	2.55	2.65	2.80	3.15	3.02	2.74	2.61
14	1.56	2.79	2.55	2.65	2.80	3.15	3.02	2.74	2.61
13	1.56	2.79	2.55	2.65	2.80	3.15	3.02	2.74	2.61
12	1.56	2.79	2.55	2.65	2.80	3.15	3.02	2.74	2.61
11	1.53	2.79	2.55	2.65	2.80	3.15	3.02	2.74	2.61
10	1.57	2.79	2.55	2.65	2.80	3.14	3.02	2.73	2.61
9	1.57	2.79	2.55	2.65	2.80	3.14	3.02	2.73	2.61
8	1.57	2.79	2.55	2.65	2.80	3.14	3.02	2.73	2.61
7	1.57	2.79	2.55	2.65	2.80	3.14	3.02	2.74	2.61
6	1.56	2.79	2.55	2.65	2.80	3.14	3.02	2.74	2.61
5	1.57	2.79	2.55	2.65	2.80	3.14	3.02	2.74	2.61
4	1.56	2.79	2.55	2.65	2.80	3.14	3.02	2.74	2.61
3	1.56	2.79	2.55	2.65	2.80	3.14	3.02	2.74	2.61
2	1.56	2.79	2.55	2.65	2.80	3.14	3.02	2.74	2.61
1	1.56	2.79	2.55	2.65	2.80	3.14	3.02	2.74	2.61
Feb. 28	1.56	2.79	2.55	2.65	2.80	3.14	3.02	2.73	2.61
27	1.57	2.78	2.55	2.64	2.79	3.13	3.01	2.73	2.60
26	1.56	2.78	2.55	2.65	2.79	3.12	3.00	2.73	2.61
25	1.56	2.77	2.55	2.64	2.79	3.11	2.99	2.72	2.61
24	1.57	2.78	2.56	2.64	2.78	3.12	2.99	2.71	2.62
23	1.55	2.77	2.56	2.63	2.78	3.12	2.99	2.71	2.62
22	1.56	2.78	2.56	2.64	2.78	3.13	3.00	2.72	2.61
21	1.57	2.79	2.57	2.66	2.79	3.14	3.00	2.73	2.63
20	1.57	2.81	2.59	2.67	2.81	3.16	3.02	2.75	2.65
19	1.57	2.81	2.60	2.67	2.81	3.16	3.03	2.75	2.66
18	1.59	2.82	2.61	2.69	2.82	3.17	3.04	2.77	2.66
17	1.59	2.83	2.62	2.69	2.83	3.17	3.04	2.78	2.67
16	1.60	2.84	2.61	2.70	2.84	3.19	3.07	2.78	2.67
15	1.62	2.84	2.60	2.71	2.85	3.19	3.07	2.77	2.67
14	1.60	2.82	2.60	2.69	2.84	3.15	3.05	2.77	2.65
13	1.65	2.82	2.60	2.70	2.82	3.16	3.04	2.76	2.66
12	1.55	2.73	2.52	2.63	2.75	3.04	2.91	2.71	2.59
11	1.49	2.73	2.50	2.60	2.73	3.03	2.87	2.69	2.58
10	1.47	2.71	2.49	2.59	2.73	3.03	2.85	2.69	2.58
9	1.48	2.71	2.51	2.58	2.73	3.03	2.84	2.70	2.60
8	1.45	2.70	2.49	2.59	2.73	3.00	2.83	2.68	2.60
7	1.36	2.66	2.46	2.54	2.68	2.94	2.78	2.64	2.55
6	1.57	2.81	2.60	2.67	2.81	3.16	3.03	2.76	2.65
5	1.53	2.77	2.53	2.63	2.78	3.11	2.99	2.71	2.59

*These prices are computed from average yields on the basis of one "typical" bond (3% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

NOTE—The list used in compiling the averages was given in the Sept. 5, 1946 issue of the "Chronicle" on page 1321.

Electric Output for Week Ended March 29, 1947, 18.5% Ahead of that for Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimates that the amount of electrical energy distributed by the electric light and power industry for the week ended March 29, 1947, was 4,728,885,000 kwh., an increase of 18.5% over the corresponding week last year when electric output amounted to 3,992,283,000 kwh. The current figure also compares with 4,759,066,000 kwh. produced in the week ended March 22, 1947, which was 18.5% higher than the 4,017,310,0

Civil Engineering Construction Totals \$60,132,000 for Week

Civil engineering construction volume in continental United States totals \$60,132,000 for the week ending March 27, 1947, as reported by "Engineering News-Record." This volume is 45% below the previous week, 55% below the corresponding week of last year, and 44% below the previous four-week moving average. The report made public on March 27, added:

Private construction this week, \$33,639,000, is 59% less than last week, and 67% below the week last year. Public construction, \$26,493,000, is 0.3% below last week, and 23% less than the week last year. State and municipal construction, \$20,753,000, 13% below last week, is 0.2% below the 1946 week. Federal construction, \$5,740,000, is 105% above last week, and 57% below the week last year.

Total engineering construction for the 13-week period of 1947 records a cumulative total of \$1,187,876,000, which is 21% above the total for a like period of 1946. On a cumulative basis, private construction in 1947 totals \$794,531,000, which is 22% above that for 1946. Public construction, \$393,345,000, is 20% greater than the cumulative total for the corresponding period of 1946, whereas state and municipal construction, \$305,853,000 to date, is 41% above 1946. Federal construction, \$37,492,000, dropped 20% below the 13-week total of 1946.

Civil engineering construction volume for the current week, last week, and the 1946 week are:

	Mar. 27, 1947	Mar. 20, 1947	Mar. 28, 1946
Total U. S. Construction.....	\$60,132,000	\$109,080,000	\$134,912,000
Private Construction	33,639,000	82,520,000	100,681,000
Public Construction	26,493,000	26,560,000	34,231,000
State and Municipal.....	20,753,000	23,756,000	20,791,000
Federal	5,740,000	2,804,000	13,440,000

In the classified construction groups, bridges, earthwork and drainage, industrial buildings, and public buildings gained this week over last week. Two of the nine classes recorded gains this week over the 1946 week as follows: waterworks and public buildings.

New Capital

New capital for construction purposes this week totals \$22,633,000, and is made up of \$17,093,000 in State and municipal bond sales and \$5,535,000 in corporate securities. New capital for construction purposes for the 13-week period of 1947 totals \$256,004,000, 28% less than the \$357,218,000 reported for the corresponding period of 1946.

Dept. Store Sales in N. Y. Federal Reserve District in January, 18% Over Last Year

The Federal Reserve Bank of New York announced on Feb. 21, that January sales in department stores, in the second, (New York) Federal Reserve District increased 18% over a year before. The combined sales of January to December 1946 were up 30% from a similar period the previous year. Stocks of merchandise on hand in department stores, at the end of January 1947 were 42% over those of the same month in 1946.

The apparel stores in the New York Reserve District reported a 9% gain in net sales in January. Their stocks on hand at the close of the month were 41% over the figures for January 1946. The details as made available by the Reserve Bank follows:

DEPARTMENT STORE SALES BY MAJOR LOCALITIES

Department stores	Percentage Change from Preceding Year—		
	Jan. 1947	Jan.-Dec. 1946	Jan. 31, 1947
Second District	+18	+30	+42
New York City	+19	+29	+39
Northern New Jersey.....	+16	+33	+34
Newark	+14	+30	+39
Westchester and Fairfield Counties.....	+26	+37	+60
Bridgeport	+24	+33	+45
Lower Hudson River Valley.....	+17	+35	+41
Poughkeepsie	+17	+33	+40
Upper Hudson River Valley.....	+12	+34	+53
Albany	+9	+43	+58
Schenectady	+17	+24	+45
Central New York State.....	+25	+35	+47
Mohawk River Valley.....	+17	+27	+41
Utica	+16	+24	+31
Syracuse	+29	+38	+52
Northern New York State.....	+19	+34	---
Southern New York State.....	+23	+30	+59
Binghamton	+21	+30	+67
Elmira	+14	+22	+53
Western New York State.....	+14	+29	+52
Buffalo	+13	+19	+48
Niagara Falls	+16	+12	+55
Rochester	+16	+30	+59
*Apparel stores	+9	+24	+41

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Second Federal Reserve District [1935-1939 average = 100]	1946			1947
	Jan.	Nov.	Dec.	Jan.
Sales (average monthly), unadjusted.....	158	295	385	186
Sales (average daily), unadjusted.....	155	301	392	183
Sales (average daily), seasonally adjusted.....	194	231	232	228
Stocks, unadjusted	144	247	213	205
Stocks, seasonally adjusted.....	164	221	238	233

*Seasonal adjustment factors for 1938-1946 revised; available upon request.

INDEXES OF DEPARTMENT STORE SALES FOR SIX LEADING CITIES IN THE SECOND FEDERAL RESERVE DISTRICT

1935-39 average = 100	1946			1947
	1945	1946	Jan.	Jan.
Average monthly, unadjusted:				
New York City	168	218	164	195
Newark	153	199	139	160
Buffalo	204	263	179	202
Rochester	185	240	168	195
Syracuse	225	311	190	244
Bridgeport	162	215	145	180
Average daily, unadjusted:				
New York City	---	---	161	191
Newark	---	---	137	156
Buffalo	---	---	177	199
Rochester	---	---	165	192
Syracuse	---	---	187	241
Bridgeport	---	---	142	177
*Aver. daily, seasonally adjusted:				
New York City	---	---	192	227
Newark	---	---	180	206
Buffalo	---	---	239	269
Rochester	---	---	204	237
Syracuse	---	---	256	330
Bridgeport	---	---	164	203

*Seasonal adjustment factors revised; available upon request. †Revised.

The Role of FDIC

(Continued from first page)

panies, and about 200 mutual savings banks, whose depositors are insured by the Federal Deposit Insurance Corp. These institutions constitute 92% of all the banks in the nation and hold 95% of all the deposits in the country which as of Dec. 31, 1946, amounted to \$157 billion.

Losses \$87 Million

In the more than 13 years of its operation, the Corporation has promptly paid \$87 million in the 245 insured banks that have failed. More than 330,000 depositors in those institutions were completely protected.

Under the authorization of the Banking Act of 1935, the FDIC exerts every effort to forestall failures by facilitating the merger of weak insured banks with strong institutions. There have been 156 such mergers, with the FDIC disbursing some \$176 million. The advantages of this type of action are that all depositors are protected, and there is no interruption in banking service in the community. The successor bank takes over all the sound assets of the weak bank. The difference between the amount of these sound assets and the deposit liabilities assumed by the going bank is paid in cash promptly by the FDIC. No loss to depositors—no interruption to banking service. That's deposit insurance in action.

There is another matter to which I should like to call your attention, namely, the Corporation's philosophy, to wit: We do not look upon ourselves as a bank supervisory agency. We take the position that the supervisory control of state banks is vested in the respective State Banking Departments. Supervision of national banks is the responsibility of the Comptroller of the Currency.

In our opinion, the Federal Deposit Insurance Corp. is charged solely with responsibility for protecting the depositors in insured banks, within the limits provided by law, against losses. The law, of course, provides certain means of safeguarding the interests of the Corporation and of minimizing its risk in banks which are insured. The initial safeguard gives our Board of Directors the right to pass upon the insurability of the risk at the time a bank applies for insurance. The Corporation has the right to cite an insured bank for statutory violations; also for unsafe and unsound practices; likewise, the right to terminate the bank's insurance should the infractions not be remedied immediately.

We regard the power given to the Corporation to examine insured banks and to review reports of examination made by supervisory agencies, as merely a means of determining our risk. There is no constraining such action, as transferring supervisory authority to the Corporation, from duly constituted state and national supervisory authorities.

Government Capital to Be Returned

Appropriately, we have recommended that the \$289 million originally provided the Corporation by Congress be returned to the Federal Treasury gradually over the next few years. We feel that the capital account of the Federal Deposit Insurance Corp. should be composed of resources contributed wholly by its members, namely the banks of this great nation. The honor of Federal recognition is welcome, but government subsidization of banks has been so widely deplored that it would be wise, in our opinion, if it were ended at the earliest possible opportunity.

Our primary duty, of course, is

protection of the depositors in insured banks. At the same time, we think of ourselves as trustees for an insurance fund that has been built up by assessments from insured banks. In our capacity as trustees, it is our duty to administer the insurance fund along sound business lines in order that the Corporation will be prepared at all times, to protect depositors' balances, as contemplated by law. As an important by-product, however, the mere fact that we do stand ready to protect depositors is a great safeguard to the banking system. By discouraging bank runs and mass depositor hysteria, the FDIC is an important stabilizing influence for our whole financial system.

Educational Program

The Corporation has undertaken an educational program for its staff members designed to increase their practical and theoretical knowledge of all banking problems. Arrangements have been made to permit certain members of our staff to take courses given by the American Institute of Banking, while others will be detailed to attend outstanding schools of finance and banking which have well-staffed commercial and savings bank sections. Incidentally, we are proud to have had a part in preparing the new text on savings banking which is being used for the first time this year by the American Institute of Banking.

No phase of the banking system has been overlooked. For example, we have worked closely with those savings bankers, who form our mutual savings banks advisory council, on many problems, particularly on the subject of bank examination. The result of these efforts has been embodied in the program method of examination which we recently inaugurated for savings banks.

Liquidation Policies

Now a word about our liquidation policies and the results of those policies to date: In the early years of its operation, the Corporation followed the policy of liquidating all the assets, which it acquired from banks, in such a manner as to avoid undue hardship to debtors, businessmen and the community. The Corporation was fully aware of the hardship and shock which would have resulted from the depression of local markets through forced liquidation. Furthermore, orderly liquidation affords the Corporation a larger recovery.

In recent years, however, improved economic conditions accompanying the war have permitted a policy of prompt liquidation without disturbance to the economic life of the community. The Corporation has, therefore, followed a program of prompt liquidation in order to take advantage of current high values and the improved financial condition of debtors.

The Corporation's losses in the liquidation of the assets of those 401 banks which either failed or merged are estimated at \$28 million. This is about 11% of the \$263 million advanced, or less than 6% of the total deposits of \$508 million in those banks—truly an unusual record.

Depositors' losses and the losses sustained by the Corporation in both the receivership and the merger cases have been unusually low. We recognize and appreciate that this has been the result—at least in part—of the favorable conditions existing during the past decade for the disposition of assets by receivers or by the Corporation. We believe that it has also been the result—in part—of the liquidation policies of the Corporation, and the fine cooperation

of such outstanding State Banking Departments as you have here in New Mexico and Arizona.

Three Years Without Losses to Depositors

We are now in the third year in which there has not been a loss to a single depositor in this country. This is an all-time record for bank stability. Moreover, in recent years there has been a marked decline in the number of banks requiring financial aid. In fact, there was only one merger case in each of the years 1943, 1944, 1945 and 1946.

This decline in the number of banks requiring financial aid may be attributed, in large part, to the highly liquid state of bank assets, to increases in prices, to a high level of business activity, and to the absence of adverse shifts of deposits, as well as to the fine cooperation of you and your fellow bankers throughout the nation.

We are sold on the dual system of banking, and regard it as an important factor in our economic structure. We are interested in seeing a material increase in the volume of business done by all banks, but in looking to the future it should be remembered, however, that the last few years have been exceptionally favorable to banking. We hope, therefore, that bankers universally are preparing for the time when prices and business activity level off by assuring themselves an ample margin of safety and protection in the assets they acquire.

Competent management combined with sound supervision form the foundation of a stable banking structure. The challenge of the day demands from management the utmost alertness to changing conditions. Manifestly, the future of this country lies to a great degree, in the way in which bankers, as well as the leaders of agriculture, industry, and labor, meet that challenge.

It has been truly said that in no other nation in the world is there to be found management so able, labor so skilled, with a government so well established to serve—not to dictate. If all three—management, labor and government—have the will and the intelligence to subordinate temporary selfish advantages to the one great purpose of making the various cogs in our economic machine function smoothly and efficiently, then we may confidently look forward to a period of continued prosperity.

To achieve that prosperity we must have courageous leadership, and I predict that you bankers of this great Southwest and your colleagues throughout the nation will and can furnish that type of leadership so vital at this time. In the final analysis, what happens to America depends on what happens to its banks.

Hogg Gets Post With Ohio Oil Commission

Mr. C. C. Hogg, former oilman and now director of the Edwy R. Brown School of Petroleum at Marietta, Ohio, College, has been appointed by Thomas J. Herbert, Governor of Ohio, to serve on the Research and Coordinating Committee of the Interstate Oil Compact Commission, said an announcement issued on March 28, by Marietta College.

Mr. Hogg is a director and former General Manager of the Pat-oil Corp., Pleasantville, Pa. He has also served as Vice-President and General Manager of the National Petroleum Co. He assumed the directorship of the Brown School of Petroleum last spring. Some 140 students, most of them veterans, are enrolled in this school. It was created by a bequest of \$300,000 in the will of Edwy R. Brown, pioneer oil operator of the Midwest and Vice-President of the Socony-Vacuum Oil Co. at the time of his death in 1942.

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Gas Sales Increased 10.1% in January

Total gas utility sales to ultimate consumers in January were 3,069,994,000 therms, an increase of 10.1% over January, 1946, the American Gas Association reports. The Association's index of total gas utility sales on Jan. 31, 1947, stood at 215.0% of the 1935-1939 average. For the 12 months ending Jan. 31, 1947 total gas utility sales were 26,458,759,000 therms, an increase of 1.9% over a year earlier.

Natural gas sales in January rose 9.6% to total 2,649,346,000 therms, and the index of natural gas sales stood at 216.6% of the 1935-1939 average. In the 12 months ended Jan. 31, 1947, natural gas sales were 1.2% above the previous comparable period.

Sales of manufactured gas in January totaled 237,464,000 therms an increase of 11.7% over a year earlier. On Jan. 31, 1947, the index of manufactured gas sales stood at 186.2% of the 1935-1939 average. For the 12 month period manufactured gas sales rose 7.5% over the previous yearly period.

Mixed gas sales in January, 1947 aggregated 183,184,000 therms, up 16.5% over January, 1946 and the index of mixed gas sales stood at 234.3% of the 1935-1939 average. In the 12 months ended Jan. 31, 1947 mixed gas sales totalled 1,277,239,000 therms, a gain of 5.6% over a year earlier.

Gas sales, revenues and customers showed marked gains in the final quarter of 1946, the Association reports. Total revenues from sales of gas by utilities in the last three months of 1946 amounted to \$318,700,000, an increase of 9.5% over the preceding year. There were 20,900,000 customers on the gas mains at the end of the year, a gain of 2.9% over 1945. Manufactured gas sales increased 7.6% in the quarter ended Dec. 31, 1946 compared with the like period in 1945; natural gas sales were up 8.5% in the quarter, and sales of mixed gas gained 9.0% over sales in the same quarter of 1945.

A summary of sales data for January, 1947 and for 12 months is as follows (in 000 therms):

Period Ended Dec. 31—	1946—Month—1946	1946—12 Mos.—1945	1947—Month—1947	1947—12 Mos.—1946
Natural Gas	2,307,321	2,167,378	2,649,346	22,960,720
Manufactured Gas	206,360	189,177	237,464	2,220,800
Mixed Gas	148,882	132,508	183,184	1,277,239
Total	2,662,563	2,489,063	3,069,994	25,958,759

U. S. Foreign Trade in 1945 and 1946

The value of United States exports in December rose sharply to a new postwar high of \$1,094 million from the previous months high of \$987 million, the Bureau of the Census announced on Feb. 10. Exports for the year 1946 totaled \$9,738 million, or only 0.7% less than the \$9,806 million in 1945 when during the first seven and a half months we were at war and Lend-Lease shipments comprised from 60% to 75% of monthly exports.

General imports also moved sharply upward in December to a new high dollar value of \$536 million from \$481 million in November. For the twelve months of 1946, general imports aggregated \$4,934 million compared to a total of \$4,136 million in 1945, an increase amounting to 19%.

The value of commercial exports amounted to \$1,022 million in December, or 93% of total exports. This value was \$119 million above November and \$511 million above the year's low in October when shipments were retarded by the strike situation. Commercial export values for the year 1946 totaled \$7,907 million compared with \$3,874 million in 1945 when they were only 40% of total exports.

Exports under the UNRRA program increased to \$55 million in December from \$53 million in November and \$11 million in October. The value of December exports under this program was the highest since the \$77 million in August 1946. December exports under the Lend-Lease program dropped to a new low of 7.2 million.

Despite an 11% gain in value, the export shipping weight in December was 8.5% below the November level. The decline in December shipping weight to 17,413 million pounds from 18,899 million pounds in November was caused by a sharp reduction in exports of coal, which more than counter-balanced increased tonnages of other merchandise shipped.

The shipping weight of general imports declined slightly in December compared with November to 10,767 million pounds from 10,909 million pounds, although the rise in import values amounted to 11%. For the year 1946, shipping weight of goods imported totaled 127,687 million pounds, a rise of 4% from the 122,346 million pounds in 1945.

The composition of United States foreign trade for the 12 months of 1946 follows:

Month	Total Exports	Commercial Exports	UNRRA Exports	*U. S. Govt. Exports	Lend-Lease Exports	†General Imports
1946 Total	\$9,737.9	\$7,906.5	\$1,014.5	\$153.0	\$653.9	\$4,934.3
January	792.7	538.2	125.1	5.0	130.4	393.5
February	669.9	470.4	91.3	11.8	96.3	317.6
March	815.4	585.6	107.0	6.6	116.2	384.4
April	756.8	531.8	89.8	4.8	80.4	407.2
May	850.6	652.3	122.2	9.4	66.6	397.4
June	877.7	683.4	118.0	19.0	57.2	385.9
July	825.6	646.1	116.4	23.9	37.1	433.8
August	883.0	748.4	77.7	23.1	33.8	425.7
September	642.7	562.8	45.8	21.6	12.4	377.8
October	536.7	511.7	11.1	6.4	7.6	393.7
November	987.4	903.6	52.8	22.5	8.6	481.4
December	1,093.5	1,022.2	55.3	8.8	7.2	535.8

Coverage

Exports currently being made under the Lend-Lease program represent with few exceptions merchandise for which arrangements for repayment were completed prior to the exportation of the merchandise. In many cases these arrangements apply to merchandise which was in Lend-Lease procurement channels at the cessation of hostilities with Japan and call for a substantial down payment by foreign governments with the remainder to be paid in 20 to 30 years. In other cases the arrangements involved the full cash payment prior to the export shipments being made. In only a small percentage of the Lend-Lease shipments made during the war period were arrangements for repayment made prior to export.

Excluded from all export figures are shipments to the United States armed forces abroad, shipments between Continental United

States and the Territories and Possessions, and shipments between the Territories and Possessions. None of the export or import figures have been adjusted for changes in price level.

Data for December are preliminary. Revised totals appear in the second December release. Prior months' data includes revisions released with the November 1946 reports.

Summary figures on exports and imports are presented in the following tables:

TABLE I
UNITED STATES EXPORTS OF DOMESTIC AND FOREIGN MERCHANDISE AND DOMESTIC MERCHANDISE

Month—	1945	1946
January	\$902,800,000	\$798,700,000
February	886,600,000	669,900,000
March	1,030,100,000	815,400,000
April	1,005,400,000	756,800,000
May	1,135,500,000	850,600,000
June	870,300,000	877,700,000
July	893,200,000	825,600,000
August	737,400,000	883,000,000
September	514,400,000	642,700,000
October	455,300,000	536,700,000
November	638,900,000	987,400,000
December	736,100,000	1,093,500,000

Total January-December—\$9,805,900,000 \$9,737,900,000

Month—	1945	1946
January	\$895,900,000	\$778,800,000
February	877,700,000	643,100,000
March	1,017,100,000	786,600,000
April	987,200,000	739,200,000
May	1,116,700,000	815,000,000
June	848,400,000	858,000,000
July	858,800,000	807,400,000
August	716,600,000	860,100,000
September	500,100,000	626,900,000
October	440,500,000	528,800,000
November	612,300,000	965,700,000
December	715,200,000	1,080,200,000

Total January-December—\$9,588,500,000 \$9,496,000,000

TABLE II
UNITED STATES GENERAL IMPORTS AND IMPORTS FOR CONSUMPTION OF MERCHANDISE

Month—	1945	1946
January	\$333,900,000	\$393,500,000
February	325,500,000	317,600,000
March	364,800,000	384,400,000
April	366,100,000	407,200,000
May	372,100,000	397,400,000
June	359,600,000	365,900,000
July	355,700,000	433,800,000
August	359,700,000	425,700,000
September	334,700,000	377,800,000
October	344,400,000	393,700,000
November	322,400,000	481,400,000
December	297,200,000	535,800,000

Total January-December—\$4,135,900,000 \$4,934,300,000

Month—	1945	1946
January	\$355,200,000	\$400,100,000
February	331,400,000	307,000,000
March	365,800,000	374,000,000
April	366,000,000	394,900,000
May	362,100,000	389,700,000
June	338,800,000	371,700,000
July	345,600,000	422,000,000
August	355,000,000	415,600,000
September	329,500,000	378,600,000
October	343,700,000	396,400,000
November	312,600,000	469,700,000
December	279,500,000	497,600,000

Total January-December—\$4,074,800,000 \$4,817,400,000

*Consists of shipments by and for the account of, or consigned to, U. S. Government agencies and establishments abroad. Prior to July 1, 1945 shipments consigned to U. S. Government agencies abroad were excluded from all export statistics. The figures exclude shipments of office supplies and equipment, and shipments to the U. S. armed forces abroad.

†General imports are a total of imports for immediate consumption plus entries into bonded storage and manufacturing warehouses.

‡Imports for consumption are a total of imports for immediate consumption plus withdrawals from bonded storage and manufacturing warehouses.

NOTE—Totals represent sum of unrounded figures, hence may vary slightly from sum of rounded amounts.

United States Savings Bonds Issued and Redeemed Through Feb. 28, 1947

(Dollar amounts in millions—rounded and will not necessarily add to totals)

	*Amount Issued	*Amount Redeemed	†Amount Outstandg.	Percent Redeemed of Amt. Issued
Series A-D:				
Series A-1935 (matured)	\$255	\$243	\$11	95.29
Series B-1936 (matured)	462	418	44	90.48
Series C-1937	582	243	338	41.75
Series C-1938	652	147	505	22.55
Series D-1939	1,007	200	807	19.86
Series D-1940	1,194	213	981	17.84
Series D-1941	518	81	437	15.64
Total series A-D	\$4,671	\$1,547	\$3,123	33.12
Series E:				
Series E-1941	1,452	297	1,155	20.45
Series E-1942	6,584	2,106	4,478	31.99
Series E-1943	10,779	4,093	6,686	37.97
Series E-1944	12,617	4,821	7,796	38.21
Series E-1945	9,869	3,466	6,403	35.12
Series E-1946	4,317	749	3,568	17.35
Series E-1947 (2 months)	\$657	**	\$657	—
Total series E	\$46,274	\$15,531	\$30,743	33.56
Unclassified redemptions:				
Series A-E	—	92	—92	—
Total series A-E	\$50,945	\$17,170	\$33,774	33.70
Series F and G:				
Series F and G-1941	1,527	173	1,354	11.33
Series F and G-1942	3,178	403	2,775	12.68
Series F and G-1943	2,351	413	1,938	12.32
Series F and G-1944	3,685	324	3,361	8.79
Series F and G-1945	3,141	168	2,973	5.35
Series F and G-1946	2,992	37	2,955	1.24
Series F and G-1947 (2 months)	641	**	641	—
Total series F & G	\$18,515	\$1,517	\$16,998	8.19
†Total all series	\$69,460	\$18,688	\$50,772	26.90

*Includes accrued discount. **Less than \$500,000. †Current redemption values. ‡Includes matured bonds which have not been presented for payment. §Includes \$25 million reported on public debt statement as "unclassified sales." ¶Includes series A and B (matured), and therefore does not agree with totals under interest-bearing debt on Public Debt Statement.

Loree Chairman of Foreign Trade Council

Robert F. Loree, former Vice-President of the Guaranty Trust Company of New York, has been elected Chairman of the board of directors of the National Foreign Trade Council, it was announced on March 26. John Abbink, President of the Business Publishers International Corporation, who served as NFTC Chairman for the past two years, assumes the position of Past-Chairman and will continue active in the affairs of the Council.

Staff officers elected by the board are Eugene P. Thomas, who continues as President; William S. Swingle, former Vice-President and now Executive Vice-President; Edward L. Behr, Jr., former Assistant Vice-President and now Vice-President, and Robert A. Breen, continuing as Secretary. Robert H. Patchin, Vice-President, W. R. Grace & Co., was re-elected Treasurer.

In accepting the Chairmanship of the Council, Mr. Loree made public the following statement:

"During the year ahead while the world attempts to regain a peacetime economic footing, the National Foreign Trade Council, speaking for American international trade and investment interests, will be guided in its policy recommendations by the proposition that world prosperity depends to a considerable extent upon the maintenance of prosperity within the United States. At the same time, domestic economic progress will be greatly aided by an expansion of sound American export and import trade and direct foreign investments. Economically unsound governmental barriers and restrictions hindering the growth of international commercial relations must give way to freer trade and a larger flow of investment capital, with assurance against disruption or loss caused by policies of governments seeking temporary and unfair national advantage."

Mr. Loree has devoted much of his career to the field of foreign trade and investment. From 1925 to 1946 he was Vice-President of Guaranty Trust Company in charge of the foreign department and foreign branches. He was also Vice-President and director of the Mercantile Bank of the Americas from 1921 to 1946. He has been President and director of the Bank of Central and South America and of the National Bank of Nicaragua. He is a director of the New York Central Railroad and of the Emigrant Industrial Savings Bank. His foreign trade activities have also included a directorship in the National Foreign Trade Council and Chairmanship of its Foreign Property-Holders Protective Committee. He served for seven years, starting in 1939, as Chairman of the Foreign Exchange Committee. He has been a recent Chairman of the executive committee of the Chamber of Commerce of the State of New York.

Senate Votes to Preserve Draft Records

President Truman's request for legislation which would preserve all draft records after the expiration of the Selective Service Act on Mar. 31 met with favorable response from the Senate which on Mar. 24 passed a measure designed to keep the records intact for the present. Although the President proposed that the draft records be transferred to central depositories in each state, the bill which the Senate passed, according to United Press Washington advices, would leave them in local draft boards until next June 30. Under the legislation a new office of Selective Service Records would be set up to replace the wartime conscription machinery.

Trading on New York Exchanges

The Securities and Exchange Commission made public on March 26 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended March 8, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended March 8 (in round-lot transaction) total 2,019,807 shares, which amount was 18.16% of the total transactions on the Exchange of 5,563,010 shares. This compares with member trading during the week ended March 1 of 2,085,943 shares, or 18.41%, of the total trading of 5,668,220 shares.

On the New York Curb Exchange, member trading during the week ended March 8 amounted to 492,560 shares, or 15.41%, of the total volume on that Exchange of 1,597,870 shares. During the week ended March 1 trading for the account of Curb members of 460,250 shares was 17.04% of the total trading of 1,350,265 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED MARCH 8, 1947			
A. Total Round-Lot Sales:	Total for Week		%
Short sales.....	231,650		
†Other sales.....	5,331,360		
Total sales.....	5,563,010		
B. Round-Lot Transactions for Account of Members Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:			
1. Transactions of specialists in stocks in which they are registered—			
Total purchases.....	680,000		
Short sales.....	112,610		
†Other sales.....	535,720		
Total sales.....	648,330		11.94
2. Other transactions initiated on the floor—			
Total purchases.....	156,090		
Short sales.....	23,700		
†Other sales.....	132,390		
Total sales.....	156,090		2.81
3. Other transactions initiated off the floor—			
Total purchases.....	173,250		
Short sales.....	22,480		
†Other sales.....	183,567		
Total sales.....	206,047		3.41
4. Total—			
Total purchases.....	1,009,340		
Short sales.....	158,790		
†Other sales.....	851,677		
Total sales.....	1,010,467		18.16

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED MARCH 8, 1947			
A. Total Round-Lot Sales:	Total for Week		%
Short sales.....	17,750		
†Other sales.....	1,580,120		
Total sales.....	1,597,870		
B. Round-Lot Transactions for Account of Members:			
1. Transactions of specialists in stocks in which they are registered—			
Total purchases.....	135,700		
Short sales.....	6,300		
†Other sales.....	175,000		
Total sales.....	181,300		9.92
2. Other transactions initiated on the floor—			
Total purchases.....	18,155		
Short sales.....	2,500		
†Other sales.....	25,900		
Total sales.....	29,400		1.49
3. Other transactions initiated off the floor—			
Total purchases.....	79,145		
Short sales.....	2,825		
†Other sales.....	46,035		
Total sales.....	48,860		4.00
4. Total—			
Total purchases.....	233,000		
Short sales.....	11,625		
†Other sales.....	247,935		
Total sales.....	259,560		15.41
C. Odd-Lot transactions for Account of Specialists—			
Customers' short sales.....	0		
Customers' other sales.....	74,154		
Total purchases.....	74,154		
Total sales.....	60,366		

*The term "member" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Commercial Paper Outstanding on Feb. 28

Reports received by the Federal Reserve Bank of New York from commercial paper dealers show a total of \$242,700,000 of open market paper outstanding on Feb. 28, 1947, compared with \$236,400,000 on Jan. 31, 1947, and \$178,200,000 on Feb. 28, 1946, the bank announced on March 17.

The following are the totals for the last two years:

1947—	\$	1946—	\$
Feb. 28.....	242,700,000	Feb. 28.....	178,200,000
Jan. 31.....	236,400,000	Jan. 31.....	173,700,000
Dec. 31.....	227,600,000	Dec. 31.....	158,900,000
Nov. 29.....	226,800,000	Nov. 30.....	156,100,000
Oct. 31.....	201,500,000	Oct. 31.....	127,100,000
Sep. 30.....	147,600,000	Sep. 28.....	111,100,000
Aug. 31.....	141,600,000	Aug. 31.....	110,200,000
July 31.....	130,800,000	July 31.....	106,800,000
June 30.....	121,400,000	Jun. 29.....	100,800,000
May 30.....	126,000,000	May 31.....	102,800,000
Apr. 30.....	148,700,000	Apr. 30.....	118,600,000
Mar. 29.....	171,500,000	Mar. 30.....	146,700,000

Daily Average Crude Oil Production for Week Ended March 22, 1947 Increased 17,100 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended March 22, 1947 was 4,861,600 barrels, a gain of 17,100 barrels per day over the preceding week and an increase of 430,650 barrels per day over the corresponding week of 1946. The current figure also exceeded by 116,600 barrels the daily average figure of 4,745,000 barrels estimated by the United States Bureau of Mines as the requirement for the month of March, 1947. Daily output for the four weeks ended March 22, 1947 averaged 4,825,350 barrels. The Institute's statement adds:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,885,000 barrels of crude oil daily and produced 14,440,000 barrels of gasoline; 2,125,000 barrels of kerosine; 5,968,000 barrels of distillate fuel, and 8,621,000 barrels of residual fuel oil during the week ended March 22, 1947; and had in storage at the end of the week 106,526,000 barrels of finished and unfinished gasoline; 9,872,000 barrels of kerosine; 32,993,000 barrels of distillate fuel, and 42,703,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*B. of M. Calculated Requirements March	State Allowables Begin-Mar. 1	Actual Production Week Ended Mar. 22, 1947	Change from Previous Week	4 Weeks Ended Mar. 22, 1947	Week Ended Mar. 23, 1946
**New York-Penna.....	48,200		47,500	- 1,300	46,500	47,900
Florida.....			150		150	100
**West Virginia.....	8,000		7,600	- 650	7,300	7,800
**Ohio-Southeast.....	8,000		6,650	- 300	6,050	5,700
Ohio-Other.....			2,500	+ 50	2,350	2,250
Indiana.....	18,000		18,050	+ 1,200	17,550	17,650
Illinois.....	210,000		187,350	- 3,200	191,850	208,650
Kentucky.....	29,000		27,200	- 350	27,050	32,000
Michigan.....	47,000		41,150	- 1,000	42,700	44,300
Nebraska.....	700		150		700	800
Kansas.....	270,000	270,000	126,750	+ 7,050	263,950	259,400
Oklahoma.....	375,000	369,475	136,850	+ 400	367,700	367,500
Texas.....						
District I.....			20,550		20,400	
District II.....			157,900		154,900	
District III.....			487,300		478,250	
District IV.....			242,000		237,300	
District V.....			38,300		37,850	
East Texas.....			313,000		316,800	
Other Dist. VI.....			111,000		109,750	
District VII-B.....			36,450		36,350	
District VII-C.....			34,900		34,350	
District VIII.....			473,700		472,150	
District IX.....			120,000		129,050	
District X.....			84,550		84,300	
Total Texas.....	2,060,000	2,145,271	2,129,750		2,111,450	1,817,500
North Louisiana.....			96,150	+ 1,250	94,750	82,450
Coastal Louisiana.....			311,450		311,150	293,350
Total Louisiana.....	400,000	447,000	407,600	+ 1,250	405,900	375,800
Arkansas.....	79,000	81,706	74,750	+ 850	74,300	77,250
Mississippi.....	77,000		37,300	+ 5,050	85,050	55,250
Alabama.....	2,100		950		950	1,000
New Mexico—So. East.....	101,000	112,000	103,000		103,750	95,150
New Mexico—Other.....			450		450	450
Wyoming.....	100,000		114,300	+ 5,150	110,300	111,650
Montana.....	24,000		22,300	- 250	22,200	20,100
Colorado.....	38,000		37,400	+ 3,750	35,350	22,550
California.....	850,000	\$845,300	908,500	- 1,900	901,800	860,200
Total United States.....	4,745,000		4,861,600	+ 17,100	4,825,350	4,430,950
**Pennsylvania Grade (included above).....			61,750	- 1,650	59,850	61,400

*These are Bureau of Mines calculations of the requirements of domestic crude oil based upon certain premises outlined in its detailed forecasts. They include the condensate that is moved in crude pipelines. The A. P. I. figures are crude oil only. As requirements may be supplied either from stocks or from new production, contemplated withdrawals from crude oil inventories must be deducted, as pointed out by the Bureau, from its estimated requirements to determine the amount of new crude to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. March 20, 1947. ‡This is the net basic allowable as of March 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and for certain other fields for which shutdowns were ordered for from 4 to 13 days, the entire State was ordered shut down for 4 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 4 days shutdown time during the calendar month. §Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILL: PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, KEROSENE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED MARCH 22, 1947

(Figures in thousands of barrels of 42 gallons each)

	% Daily Refin'g Capac. Report's	Crude Runs to Stills Daily % Operated	Product'n at Ref. Inc. Nat. Blended	Unfin. Gasoline Stocks	Stks. of Kero-sine	Stks. of Gas, Oil & Dist. Fuel	Stks. of Resid. Fuel Oil
District—							
East Coast.....	99.5	787	93.8	1,777	22,516	4,394	9,412
Appalachian.....							
District No. 1.....	76.3	107	74.8	286	2,633	204	387
District No. 2.....	84.7	64	103.2	212	974	21	67
Ind., Ill., Ky.....	87.4	820	94.3	2,832	22,571	1,120	2,374
Okl., Kans., Mo.....	78.3	398	84.9	1,415	10,951	336	1,146
Inland Texas.....	59.8	214	64.8	945	4,632	168	301
Texas Gulf Coast.....	83.2	1,086	88.6	3,118	15,348	1,877	6,040
Louisiana Gulf Coast.....	97.4	364	113.4	965	5,624	677	1,992
No. La. & Arkansas.....	55.9	65	51.6	170	1,922	276	541
Rocky Mountain.....							
New Mexico.....	19.0	11	84.6	37	86	15	33
Other Rocky Mt.....	70.9	129	78.2	421	3,167	44	469
California.....	85.5	840	84.5	2,233	16,102	740	10,231
Total U. S.—B. of M. basis Mar. 22, 1947.....	85.8	4,885	87.9	14,440	106,526	9,872	32,993
Total U. S.—B. of M. basis Mar. 15, 1947.....	85.8	4,986	89.7	15,125	106,813	10,501	34,384
U. S. B. of M. basis Mar. 23, 1946.....		4,690		13,250	110,430	8,669	27,775

*Includes unfinished gasoline stocks of 8,240,000 barrels. †Includes unfinished gasoline stocks of 9,115,000 barrels. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §In addition, there were produced 2,125,000 barrels of kerosene, 5,968,000 barrels of gas oil and distillate fuel oil and 8,621,000 barrels of residual fuel oil in the week ended March 22, 1947, as compared with 2,230,000 barrels, 6,025,000 barrels and 8,916,000 barrels, respectively, in the preceding week and 2,369,000 barrels, 5,644,000 barrels and 8,469,000 barrels, respectively, in the week ended March 23, 1946.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on March 26 a summary of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange for the week ended March 15, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended March 15, 1947

Odd-Lot Sales by Dealers— (Customers' purchases)	Total For Week
Number of orders.....	26,928
Number of shares.....	746,199
Dollar value.....	\$30,143,803
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of orders.....	433
Customers' short sales.....	20,554
Customers' other sales.....	20,987
Number of Shares:	
Customers' short sales.....	16,107
Customers' other sales.....	583,131
Customers' total sales.....	599,238

Dollar value..... \$22,559,761

Round-Lot Sales by Dealers—

Number of Shares:	
Short sales.....	0
†Other sales.....	147,320
Total sales.....	147,320

Round-Lot Purchases by Dealers—

Number of Shares:	
Number of shares.....	290,580

*Sales marked "short-exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Urge Price Cuts

At a press conference on Mar. 26, the 100th he has held since taking office, President Truman voiced the hope that industry would see that the wisdom of reducing prices before the wage-price spiral rose beyond control. Citing the price reductions of the Ford Motor Co., International Harvester and other companies the President said that he hoped business in general would read the handwriting on the wall before it is too late. Expressing concern over the upward trend, Mr. Truman said, according to Washington Associated Press advices, that he did not want to see a rise in prices that might lead to inflation. Secretary of the Treasury Snyder added his voice to the President's hope that prices would be reduced. He said, to quote from the same press advices, that "Labor must not make over demands or they will force prices up." He added that he was "not too optimistic," but that reductions by basic industries would be reflected in lower prices to consumers. Mr. Snyder said the prime reason he would like to see prices reduced would be to lower living costs and take off pressure for wage increases.

President Truman told newsmen that his Economic Advisory Council is now making a complete survey of the price situation.

May Continue Easing of Army Ship Standards

The Army would be permitted to continue transporting American civilians and troops for another year on ships which do not meet navigation safety standards under legislation approved unanimously by the House on Mar. 13, according to Associated Press Washington advices. Existing authority, which was originally granted to meet wartime shipping shortages, expires Mar. 31. The Army asked renewal because of heavy troop shipments to and from this country and the lack of a sufficient number of regular transports, according to Associated Press Washington advices.

Latest Summary of Copper Statistics

The Copper Institute on March 11 released the following statistics pertaining to production, deliveries and stocks of duty-free copper

SUMMARY OF COPPER STATISTICS REPORTED BY MEMBERS OF THE COPPER INSTITUTE

U. S. Duty Free Copper	Production		Deliveries to Customers		Stocks End of Period	Stock Increase (+) or Decrease (-)
	*Crude	Refined	Domestic	Export		
Year 1939	836,074	818,289	814,407	134,152	159,485	+17,785
Year 1940	992,293	1,033,710	1,001,886	48,537	142,772	-41,417
Year 1941	1,016,996	1,065,667	1,546,541	307	75,564	-48,671
Year 1942	1,152,344	1,135,708	1,635,236	---	65,309	+16,636
Year 1943	1,194,699	1,206,871	1,643,677	---	82,121	-12,172
Year 1944	1,056,180	1,098,788	1,636,295	---	66,780	-42,608
Year 1945	841,667	843,113	1,517,842	---	76,512	-1,446
Year 1946	651,260	604,071	1,260,921	909	80,832	+47,189
2 Mos., 1947	152,603	157,735	261,426	---	74,645	-5,132
Jan., 1947	58,178	69,008	115,601	---	72,799	-10,830
Feb., 1947	41,667	49,923	86,089	909	74,339	-8,256
Mar., 1947	41,832	20,139	58,590	---	70,249	+21,693
Apr., 1947	29,280	18,989	75,756	---	65,448	+10,291
May, 1947	31,897	20,551	93,647	---	75,754	+11,346
June, 1947	32,785	23,870	95,267	---	79,145	+8,915
July, 1947	56,906	43,606	97,527	---	101,183	+13,300
Aug., 1947	64,462	59,591	118,381	---	94,669	+4,871
Sept., 1947	69,748	67,803	113,158	---	98,619	+1,945
Oct., 1947	72,807	77,947	136,481	---	91,161	-5,140
Nov., 1947	73,024	75,066	129,206	---	90,896	-2,042
Dec., 1947	78,674	77,578	141,218	---	80,832	+1,096
Jan., 1947	78,256	80,144	143,692	---	76,680	-1,888
Feb., 1947	74,347	77,591	117,734	---	74,645	-3,244

*Mine or smelter production or shipments, and custom intake including scrap.
†Beginning March, 1941, includes deliveries of duty paid foreign copper for domestic consumption.
‡At refineries on consignment and in exchange warehouses, but not including consumers' stocks at their plants or warehouses.
§Computed by difference between mine and refined production.
||Includes 140,128 tons of primary metal and 12,475 tons of secondary metal.
NOTE—Statistics for the month of January, 1947, have been revised.

Real Estate Financing in January

Non-farm real estate financing in the nation during January totaled approximately \$847,000,000, about a third greater than in the first month of 1946, the Federal Home Loan Bank Administration reported on March 15. More than half of this rise, it was noted, was due to increases in the average amount of the mortgages made, since the number of such liens recorded in the month was only 14% higher than in January, 1946. The advances from the FHLBA also said:

By comparison—and illustrating a recent flattening off in the trend of home financing activity—mortgages registered in July, 1946, numbered 65% more than in July, 1945. Compared with last December, mortgage recordings in January were 1.3% greater in dollar amount. Commercial banks, mutual savings banks and savings and loan associations reported a smaller aggregate of financing for the month while figures were up for insurance companies, individuals and miscellaneous lending institutions.

The compilations are limited to non-farm mortgages of \$20,000 or less. Following are the number and amount of mortgage recordings for January, by types of lenders, together with their relative participation in the total of the month's mortgage lending:

	Number	Amount	% of Amount
Savings and loan associations	56,272	\$246,114,000	29
Insurance companies	8,835	52,155,000	6
Banks and trust companies	47,195	230,492,000	27
Mutual savings banks	7,759	44,761,000	5
Individuals	47,036	160,297,000	19
Miscellaneous lending institutions	22,086	113,224,000	14
Total	189,183	\$847,043,000	100

Wholesale Prices Rose 0.5% In Week Ended March 22, Following Drop Previous Week Labor Dept. Reports*

Following the previous week's slight decline, average primary market prices rose 0.5% during the week ended March 22, 1947, according to the Bureau of Labor Statistics, U. S. Department of Labor which on March 27 stated that "prices of nonagricultural commodities continued their steady advance; agricultural commodities declined." "At 149.0% of the 1926 average, the Bureau's index of commodity prices in primary markets was 37.5% above a year ago and 11% below the May 1920 peak," said the Bureau, on March 27 its advices on that date further stating:

"Farm Products and Foods"—Led by lower prices for livestock and fresh fruits and vegetables, average prices of farm products declined 0.7% during the week. With some improvement in supplies, prices for most livestock were lower. Sharp declines in prices of grains, beginning on March 18, were not yet fully reflected in the index. Quotations on March 18, used in the index, were higher than on the previous Tuesday for wheat, corn and barley, and lower for oats and rye. Larger receipts also resulted in declines for citrus fruits, white potatoes, sweetpotatoes and onions. Liberal supplies caused general declines for eggs. Quotations for cotton rose slightly and prices of Australian wool increased with higher domestic prices. On the average prices of farm products were 6.5% above 4 weeks earlier and 37.6% above last year.

"The group index for foods declined 0.2% during the week as lower prices for fruits and vegetables and meats more than offset higher prices for cereal products and cheese. Beef, pork and veal prices showed small declines, due to consumer resistance. Flour prices continued to advance in response to strong demand, particularly for export. Scarcity and higher costs caused increases for oleomargarine. Black pepper prices were lower. Foods as a group were 2.3% above late February and 51.9% above the corresponding week of last year.

"Other Commodities"—Average prices of all commodities other than farm products and foods increased 1% during the week. Prices of crude petroleum and petroleum products rose sharply, the 5th advance since decontrol. Further price increases occurred for pig iron and steel scrap, and there was a substantial increase for antimony. Higher prices for southern pine lumber were reported from the South Western area. Prices of fats and oils, fatty acids and soaps again increased, reflecting the general scarcity and higher costs of raw materials. Increases, ranging up to 20% for flour mill by-products, occurred in cattle feed prices. Higher raw materials costs caused some producers to raise prices for a number of chemicals and metal prod-

ucts, including formaldehyde, citric acid and phosphate rock, farm machinery, babbitt metal, lead pipe and litharge. Silver prices again declined, resulting in lower prices for silver nitrate. Spot prices of sulphate woodpulp, in short supply, increased and there were further advances for box board. Prices of some cotton goods and woolen and worsted goods rose because of higher costs of raw fibers and increased wage rates. Quotations for goatskins and sheepskins declined."

In reporting on March 20, the wholesale prices for the week ended Mar. 15, the Bureau stated that "following five weeks of steady advances, average primary market prices dropped 0.3% because of lower prices for some foods during the week ended Mar. 15." It was added that "at 148.3% of the 1926 average, the Bureau's index of commodity prices in primary markets was 3.6% above mid-February and 36.8% above a year ago."

The course of prices during the week ended March 15 was further indicated on March 20 as follows by the Bureau:

"Farm Products and Foods"—Substantial declines for pork and butter were primarily responsible for a decrease of 2.5% in food prices during the week. On the average foods were 3.5% higher than four weeks earlier and 52.1% above a year ago. Pork prices dropped nearly 13% largely because of resistance to previous high prices. Beef and veal also declined, while dressed poultry, lamb and mutton prices were higher reflecting low supplies. Butter prices were down more than 7% with ample supplies; prices of cheese advanced. Continued demand caused further increases for flour. Prices of fruits and vegetables were higher on the average, with increases for potatoes, dried beans, apples and onions. Lower prices for dried fruits resulted from lack of buying interest at present prices. Continued scarcity brought further increases for edible fats and oils.

"With an advance of 1.3% during the week, market prices on farm products rose for the seventh consecutive week, reaching a level 12.2% above late January and 38.4% above last year. Grain quotations again rose sharply, influenced by the heavy export needs. Average quotations for livestock and poultry dropped reflecting the downward pressure of meat prices, particularly on hogs. Egg prices rose early in the week but decreased later as supplies improved. Quotations for 15/16 middling raw cotton rose to 35 cents per pound as mill consumption continued high. Prices of alfalfa hay rose substantially because of heavy demand on short supplies.

"Other Commodities"—Average prices of all commodities other than farm products and foods continued their steady advance with a rise of 0.5% during the week. Prices of fats and oils and soap were higher reflecting general scarcity and there were further substantial price increases of cattle feed. Higher raw material costs were responsible for advances for anilin oil, carbon tetrachloride, lubricating oils, white lead pigment, sanitary cans and boxboard. Prices of calcium arsenate, natural menthol and tankage rose and prices of aquaammonia in drums were up because of the shortage of containers. Copper prices rose to 21½ cents per pound and additional increases were reported for pig iron. Silver prices declined following India's ban on imports. Reduced demand was reflected in lower prices for chinawood oil. Limited supplies and heavy demand forced up prices for calfskins and calfeather while goatskins and sole leather declined. Prices of woolen and worsted goods and rayon were higher due to increased labor and material costs. Prices of burlap and hemp also advanced."

CHANGES IN WHOLESALE PRICES BY COMMODITY GROUPS FOR WEEK ENDED MARCH 22, 1947 (1926=100)

Commodity Groups—	March 22, 1947 from—				
	3-22 1947	3-15 1947	3-8 1947	2-22 1947	3-23 1946
All commodities	149.0	148.3	148.7	144.3	108.4
Farm products	182.9	184.2	181.8	171.7	132.9
Foods	166.2	166.5	170.7	162.5	109.4
Hides and leather products	174.9	175.7	174.2	175.8	120.1
Textile products	138.7	138.3	137.4	135.4	102.4
Fuel and lighting materials	101.7	98.8	98.8	98.6	85.4
Metals and metal products	140.3	140.2	139.7	138.4	107.9
Building materials	176.7	175.3	175.3	172.6	123.6
Chemicals and allied products	133.0	131.7	130.6	129.2	96.0
Household goods	126.6	126.1	126.1	125.3	106.4
Miscellaneous commodities	114.6	113.0	111.9	110.7	95.4
Special Groups—					
Raw materials	164.3	164.1	162.5	156.2	120.9
Semi-manufactured articles	145.4	145.2	144.0	141.3	100.3
Manufactured products	143.1	142.1	143.7	140.0	104.3
All commodities other than farm products	141.6	140.5	141.4	138.3	103.0
All commodities other than farm products and foods	131.3	130.0	129.4	128.3	102.0

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM MARCH 15, 1947 TO MARCH 22, 1947

Increases	
Cattle feed	14.5
Petroleum and products	7.1
Cereal products	3.2
Grains	3.2
Oils and fats	2.6
Lumber	1.9
Fertilizer materials	1.7
Furniture	1.9
Woolen and worsted goods	1.0
Chemicals	0.5
Shoes	0.5
Cotton goods	0.4
Paint and paint materials	0.1
Decreases	
Hides and skins	3.9
Livestock and poultry	2.4
Fruits and vegetables	2.0
Other textile products	0.1

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM MARCH 8, 1947 TO MARCH 15, 1947

Increases	
Rayon	9.5
Cattle feed	9.3
Grains	7.7
Hides and skins	3.6
Oils and fats	3.3
Fruits and vegetables	2.3
Other farm products	2.0
Woolen and worsted goods	1.8
Nonferrous metals	1.3
Cereal products	1.2
Leather	0.8
Decreases	
Meats	7.0
Livestock and poultry	1.8
Fertilizer materials	0.7
Iron and steel	0.5
Other foods	0.5
Paper and pulp	0.4
Other miscellaneous	0.3
Other textile products	0.3
Drugs and pharmaceuticals	0.2
Paint and paint materials	0.2
Chemicals	0.1
Cotton goods	0.1
Petroleum and products	0.1

*Based on the BLS weekly index of prices of about 900 commodities which measures changes in the general level of primary market prices. This index should be distinguished from the daily index of 28 commodities. For the most part, prices are those charged by manufacturers or producers or are those prevailing on commodity exchanges. The weekly index is calculated from one-day-a-week prices. It is designed as an indicator of week-to-week changes and should not be compared directly with the monthly index.

Regrouping of War Loan Depositories

Allan Sproul, President of the Federal Reserve Bank of New York on March 22 called attention to member and non-member banks to a change in the grouping of war loan depositories; his announcement follows:

"Effective immediately, all war loan depositories have been divided into two groups, as follows:

"Group A — All depositories having war loan balances of \$150,000 or less at the close of business March 22, 1947.

"Group B — All depositories having war loan balances of more than \$150,000 at the close of business March 22, 1947.

"This grouping of depositories will be continued until further notice, notwithstanding any subsequent changes in the size of the war loan balance of any such depository.

"There will be no change in the manner of making calls, as outlined in our Circular No. 3055, dated Jan. 22, 1946. That is to say, calls upon banks in Group B will continue to be made from time to time on relatively short notice in accordance with the Treasury's requirements for funds, and calls upon banks in Group A will in general be made not more often than once each month. The amount of any such call upon war loan balances in Group A banks will be expressed as a percentage of such balances approximately equal to the percentage of balances withdrawn from banks in Group B in the period since the last preceding call on Group A banks."

Lend-Lease Closes; Lane Resigns

In anticipation of the formal ending on March 22 of the wartime Lend-Lease agency and transfer of its remaining affairs to the State Department's Office of Finance and Economic Development, Lend-Lease Administrator Chester T. Lane resigned on March 18, according to Associated Press Washington advices, which added:

Mr. Lane told reporters that supplies valued at about \$25,000,000 remain to be delivered to Soviet Russia and several other nations under post-war "pipe-line" contracts. In his letter of resignation to Under Secretary of State William L. Clayton, Mr. Lane said "unwarranted" Congressional objections have held up deliveries.

Mr. Lane said he will enter the New York City law firm of Greenman, Shea, Lane & Sandomire.

Loss to U. S. on Crop Insurance \$67,500,000

WASHINGTON, March 21 — Reporting that the Government has lost \$67,500,000 on crop insurance, Gus Geissler, manager of the Federal Crop Insurance Corp., recommended on Mar. 20 that "we retreat to a more nearly experimental basis." Advices to this effect (Associated Press) which came from Washington on March 21, also reported:

He [Mr. Geissler] told the House Agricultural Committee the program should be continued, but we certainly should pull in our horns until it was determined how to get various crops on a basis where premiums will cover losses. He suggested that Congress authorize the Corporation to figure both premiums and loss payments in either the parity price or support price of covered commodities.

Weekly Coal and Coke Production Statistics

The output of bituminous coal during the week ended March 22, 1947, according to the United States Bureau of Mines, was estimated at 12,885,000 net tons, a decrease of 480,000 tons, or 3.6%, from the preceding week. Production in the corresponding week of 1946 amounted to 13,310,000 tons. Output of soft coal during the calendar year through March 22 approximated 150,272,000 net tons, which was an increase of 1.4% above the production of 148,248,000 tons mined in the similar portion of 1946.

Output of Pennsylvania anthracite during the week ended March 22, 1947, as estimated by the Bureau of Mines, was 1,165,000 tons, a decrease of 30,000 tons (2.5%) from the preceding week. When compared with the production in the corresponding week of 1946 there was a decrease of 136,000 tons, or 10.5%. Cumulative hard coal output this calendar year through March 22 approximated 12,962,000 tons, which was a decrease of 7.1% below the 13,952,000 tons which was produced in the corresponding portion of 1946.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended March 22, 1947 showed a decrease of 3,900 tons when compared with the output for the week ended March 15, 1947; but was 28,000 tons more than for the corresponding week of 1946.

	Week Ended	Jan. 1 to date
	Mar. 22, 1947	Mar. 23, 1946
Bituminous coal & lignite—		
Total, including mine fuel—	12,885,000	13,310,000
Daily average—	2,149,000	2,218,000

*Revised. †Subject to current adjustment.

	Week Ended	Calendar Year to Date
	Mar. 22, 1947	Mar. 23, 1946
Penn. Anthracite—		
Total incl. coal fuel—	1,165,000	1,301,000
Commercial produc.—	1,149,000	1,251,000
Beehive Coke—		
†United States total—	134,000	106,000

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised. ¶Estimated from weekly carloadings reported by 10 railroads.

State—	Week Ended	Mar. 15, 1947	Mar. 8, 1947	Mar. 1, 1946
Alabama		398,000	397,000	449,000
Alaska		7,000	7,000	6,000
Arkansas		34,000	28,000	36,000
Colorado		162,000	162,000	144,000
Georgia and North Carolina		1,000	1,000	1,000
Illinois		1,488,000	1,488,000	1,588,000
Indiana		630,000	617,000	545,000
Iowa		34,000	40,000	35,000
Kansas and Missouri		119,000	122,000	157,000
Kentucky—Eastern		1,286,000	1,215,000	1,204,000
Kentucky—Western		519,000	500,000	488,000
Maryland		43,000	37,000	54,000
Michigan		1,000	1,000	3,000
Montana (bituminous and lignite)		63,000	70,000	84,000
New Mexico		22,000	30,000	28,000
North and South Dakota (lignite)		57,000	58,000	39,000
Ohio		814,000	803,000	830,000
Oklahoma		53,000	62,000	58,000
Pennsylvania (bituminous)		3,062,000	2,810,000	3,092,000
Tennessee		157,000	148,000	178,000
Texas (bituminous and lignite)		1,000	3,000	2,000
Utah		178,000	166,000	144,000
Virginia		424,000	397,000	419,000
Washington		24,000	24,000	27,000
†West Virginia—Southern		2,483,000	2,352,000	2,365,000
†West Virginia—Northern		1,110,000	1,043,000	1,046,000
Wyoming		185,000	178,000	193,000
‡Other Western States		1,000	1,000	1,000
Total bituminous and lignite—		13,365,000	12,780,000	13,215,000

†Includes operations on the N. & W. C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay Counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker Counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Non-Ferrous Metals—Lead Active—Silver Higher—Copper Industry Awaits Tariff Move

"E. & M. J. Metal and Mineral Markets," in its issue of March 27, stated: "Chief interest in non-ferrous metals during the last week centered in the copper tariff situation, which appears to be approaching the final stage. Temporary lifting of the 4¢ import duty appears certain. Lead producers experienced an active market for lead. However, consumers were less eager to obtain the metal at any price, sellers observed. There were no developments in zinc. The price of silver advanced sharply, rising to 77¼¢ an ounce on March 24. The higher price brought out freer offerings of silver from outside sources, causing the quotation to drop back to 75¼¢ yesterday. The British authorities raised the price of virgin aluminum for the home market to £80 per long ton. The publication further went on to say in part as follows:

Copper

Most operators are confident that the 4¢ import tariff will be suspended in time to avert a serious squeeze in supplies. Lifting of the duty will be on a temporary basis, it is believed—probably for a period of 18 months. Foreign copper released during March amounted to approxi-

mately 28,500 tons. As much as 20,000 tons of foreign copper from the Government's holdings will be available for April, according to trade estimates. Metals Reserve had 38,622 tons of copper on hand Feb. 28, against 57,108 tons a month previous.

The domestic quotation continued on the basis of 21½¢, Connecticut Valley. Foreign copper again moved slightly higher for the week.

The fabricating division of the copper industry consumed 115,317 tons of refined copper in February, against 139,263 tons in January. Stocks of refined copper at fabricating plants increased slightly from 393,451 tons at the end of January to 395,720 tons at the end of February.

Executives of 14 of this coun-

try's important consumers of copper have written to Congress urging that legislation calling for the suspension of the 4¢ import tax receive favorable consideration.

Consumption of virgin copper in the United Kingdom in January was estimated at 33,485 long tons, which compares with monthly average consumption of 27,117 tons in 1946.

Lead

Though demand for lead shows no signs of abating consumers have been less nervous about the outlook producers report. Sales for the week totaled 14,781 tons, against 14,537 tons in the preceding week. The bulk of the business booked covered April metal.

The refinery statistics for February placed production in this country at 43,077 tons, against 44,422 tons in January. Shipments in February by the domestic industry came to 48,398 tons, against 44,343 tons in January. Stocks at the end of February were reduced to 42,835 tons.

Zinc

Die casters appear to be a little less eager to accumulate zinc, but the galvanizing industry continues to absorb metal at a high rate. The situation in the brass industry is viewed as spotty. There were no price developments last week. The RFC stockpile of slab zinc and zinc contained in concentrates at the end of February totaled 446,616 tons.

Consumption of slab zinc in December amounted to 72,486 tons, against 74,630 tons in November, the Bureau of Mines reports. Consumption in 1946 totaled 790,404 tons, of which galvanizers accounted for 319,189 tons, zinc-base alloys 205,353 tons, brass mills 138,924 tons, ingot makers and foundries 8,431 tons, rolling mills 92,294 tons, and other consumers 26,213 tons.

Aluminum

Effective March 24, the British Ministry of Supply advanced the price of virgin aluminum ingot from £72 15s. per long ton, delivered to consumers' plant, to £80. The price was raised to absorb higher costs.

The higher quotation for aluminum in the British market is equivalent to 14½¢ per pound. The United States market continues at 15¢ per pound for ingot.

Nickel

Production of nickel in all forms in Canada during December amounted to 16,988,037 lb., against 17,467,701 lb. in November, and 15,210,091 lb. in December, 1945, according to the Dominion

Bureau of Statistics. Production of nickel in 1946 totaled 189,665,605 lb., against 245,130,983 lb. in 1945 and 274,598,629 lb. in 1944.

Tin

Though shortages of fuel have set back production of tin in Malaya, authorities hope for steady progress in the coming months.

Negotiations between the RFC and Bolivian producers have been resumed, and it is believed that the settlement basis under the new contract will be equivalent to 76¢ per pound.

The first meeting of the "Tin Study Group" is scheduled for early in April.

The market here was unchanged. Straits quality tin for shipment, in cents per pound, was nominally as follows:

	April	May	June
March 20-----	70.000	70.000	70.000
March 21-----	70.000	70.000	70.000
March 22-----	70.000	70.000	70.000
March 23-----	70.000	70.000	70.000
March 24-----	70.000	70.000	70.000
March 25-----	70.000	70.000	70.000
March 26-----	70.000	70.000	70.000

Chinese, or 99% tin, 69.125c.

Quicksilver

Conditions prevailing in quicksilver are such that operators here are not inclined to take a definite stand on the market. So far, offerings from abroad have not been pressing for sale, and the price situation here has been fairly steady. Demand has been on the slow side for some time. During the last week quotations continued at \$87 to \$90 per flask.

Silver

Hugh Dalton, Chancellor of the Exchequer, informed the British House of Commons last week that 11,750,000 oz. of foreign silver was purchased from United States sources by Belgian buyers through British brokers in the first two months of the current year. In addition, Belgian buyers also bought 500,000 oz. of silver from Russia. Virtually all of the silver obtained by the Belgians was earmarked for shipment to India. Great Britain purchased 1,750,000 oz. from the United States in the same period. The transactions had cost Britain no dollars from her own dollar pool. (As previously noted, the Belgians converted Indian funds into dollars, profiting by the deal in foreign exchange.)

Demand for spot and prompt shipment silver from the domestic trade caused the market to move upward sharply, advancing 4½¢ in a single day, on Monday. Recent activity in silver has strengthened the nearby position. Wide price movements are not unusual in a thin market. The New York Official price settled yesterday at 75¼¢, a net gain for the week of 4¾¢.

DAILY PRICES OF METALS ("E. & M. J." QUOTATIONS)

	Electrolytic Copper—Dom. Refy.	Straits Tin—Exp. Refy.	Lead—New York	St. Louis	Zinc—St. Louis
March 20-----	21.225	22.425	70.000	15.000	14.800
March 21-----	21.225	22.425	70.000	15.000	14.800
March 22-----	21.225	22.425	70.000	15.000	14.800
March 23-----	21.225	22.425	70.000	15.000	14.800
March 24-----	21.225	22.425	70.000	15.000	14.800
March 25-----	21.225	22.425	70.000	15.000	14.800
March 26-----	21.225	22.550	70.000	15.000	14.800
Average-----	21.225	22.438	70.000	15.000	14.800

Average prices for calendar week ended March 22 are: Domestic copper f.o.b. refinery, 21.225c.; export copper, f.o.b. refinery 22.367c.; Straits tin, 70.000c.; New York lead, 15.000c.; St. Louis lead, 14.800c.; St. Louis zinc, 10.500c.; and silver, 71.975c.

The above quotations are "E. & M. J. M. & M. M.'s" appraisal of the major United States markets, based on sales reported by producers and agencies. They are reduced to the basis of cash, New York or St. Louis, as noted. All prices are in cents per pound.

Copper, lead and zinc quotations are based on sales for both prompt and future deliveries; tin quotations are for prompt delivery only.

In the trade, domestic copper prices are quoted on a delivered basis; that is, delivered at consumers' plants. As delivery charges vary with the destination, the figures shown above are net prices at refineries on the Atlantic seaboard. Delivered prices in New England average 0.275c per pound above the refinery basis, effective Jan. 2, 1947.

"E. & M. J. M. & M. M.'s" export quotation for copper reflects prices obtaining in the open market and is based on sales in the foreign market reduced to the f.o.b. refinery equivalent, Atlantic seaboard. On f.a.s. transactions, 0.075c is deducted for lighterage, etc., to arrive at the f.o.b. refinery quotation.

Quotations for copper are for the ordinary forms of wirebars and ingot bars. For standard ingots an extra 0.075c per pound is charged; for slabs 0.175c up, and for cakes 0.225c up, depending on weight and dimension; for billets an extra 0.95c up, depending on dimensions and quality. Cathodes in standard sizes are sold at a discount of 0.125c per pound.

Quotations for zinc are for ordinary Prime Western brands. Contract prices for High-grade zinc delivered in the East and Middle West in nearly all instances command a premium of 1c per pound over the current market for Prime Western but not less than 1c over the "E. & M. J." average for Prime Western for the previous month; the premium on Special High-Grade in most instances is 1½c.

Quotations for lead reflect prices obtained for common lead only.

FHA Sees Record Production of Rental Housing

Mortgage insurance applications received by Federal Housing Administration offices in January and February point to record production of rental housing in 1947 under the FHA program, it was announced on March 16 by Raymond M. Foley, Commissioner of FHA. In response to President Truman's appeal last December for "a vigorous housing program in 1947," the building industry has launched what promises to be the largest volume of home construction in the history of FHA, Mr. Foley said.

During January and February, FHA field offices received applications for mortgage insurance on more than 45,500 new dwelling units, largely under the Veterans Emergency Housing provisions of the National Housing Act. More than 12,150 of these, or about 27% of the total, consisted of rental units to be built in 253 multi-family housing projects. According to Mr. Foley, applications on rental housing projects have shown a sharply accelerated trend in the past few months. Units covered by such applications were 1,054 in September, 1,382 in October, 2,488 in November, 1,439 in December, 5,488 in January, and 6,667 in February.

Mr. Foley also stated that a new winter record was established during January and February for conversion and property improvement loans reported for insurance under Title I of the National Housing Act. In January, he said, 97,650 loans for more than \$44,000,000 were reported for insurance and in February 85,000 for \$39,000,000. These figures include loans for conversion of existing structures to provide additional dwelling units for veterans, as well as loans for necessary repairs and maintenance of residential properties. During the first two months of the year, FHA offices received applications for mortgage insurance on 22,100 existing homes, also a new record. Some of the loans were for refinancing existing mortgages, others for the purchase of older homes. Approximately 16,000 dwelling units were started in January and February under FHA inspection, in spite of unfavorable weather, Mr. Foley said.

U. S. Resumes Cultural Relations With Austria

It was announced on March 16 by the State and War Departments that normal cultural relations between the United States and Austria have been resumed. The Associated Press advices from Washington, as given in the New York "Times" added:

A joint announcement released simultaneously in Washington and Vienna said the United States hoped this would encourage organizations and institutions in both countries to promote cultural exchange.

The United States move was made in accordance with the Moscow Declaration of 1943 regarding Austria and with terms of the four-power agreement on new control machinery for Austria of June 28, 1946.

Under this new policy declaration, the United States Government will encourage the sending to Austria of books, art work, non-commercial films, recordings, musical scores and other cultural materials.

The Government also will promote the extension of postal service and of other transportation and communications facilities between the two countries.

Revenue Freight Car Loadings During Week Ended March 22, 1947 Increased 2,894 Cars

Loading of revenue freight for the week ended March 22, 1947 totaled 844,041 cars, the Association of American Railroads announced on March 27. This was an increase of 39,435 cars, or 4.9%, above the corresponding week in 1946, and an increase of 27,300 cars, or 3.3% above the same week in 1945.

Loading of revenue freight for the week of March 22, increased 2,894 cars, or 0.3%, above the preceding week.

Miscellaneous freight loading totaled 386,860 cars, an increase of 4,642 cars above the preceding week, and an increase of 21,821 cars above the corresponding week in 1946.

Loading of merchandise less than carload freight totaled 123,980 cars, a decrease of 1,079 cars below the preceding week, and a decrease of 767 cars below the corresponding week in 1946.

Coal loading amounted to 184,735 cars, a decrease of 7,101 cars below the preceding week, and a decrease of 5,323 cars below the corresponding week in 1946.

Grain and grain products loading totaled 53,717 cars, an increase of 2,149 cars above the preceding week and an increase of 10,260 cars above the corresponding week in 1946. In the Western Districts alone, grain and grain products loading for the week of March 22 totaled 36,511 cars, an increase of 1,715 cars above the preceding week and an increase of 6,914 cars above the corresponding week in 1946.

Livestock loading amounted to 14,142 cars, an increase of 1,658 cars above the preceding week, but a decrease of 1,741 cars below the corresponding week in 1946. In the Western Districts alone loading of livestock for the week of March 22 totaled 11,229 cars, an increase of 1,307 cars above the preceding week, but a decrease of 904 cars below the corresponding week in 1946.

Forest products loading totaled 50,585 cars, an increase of 1,870 cars above the preceding week and an increase of 8,928 cars above the corresponding week in 1946.

Ore loading amounted to 15,163 cars, an increase of 338 cars above the preceding week and an increase of 4,847 cars above the corresponding week in 1946.

Coke loading amounted to 14,859 cars, an increase of 417 cars above the preceding week and an increase of 1,410 cars above the corresponding week in 1946.

All districts reported increases compared with the corresponding week in 1946 except the Southern and all reported increases compared with the same week in 1945 except the Allegheny and Southwestern.

	1947	1946	1945
Four Weeks of January	3,168,397	2,883,863	3,003,655
Four Weeks of February	3,179,198	2,866,876	3,052,487
Week of March 1	850,031	782,397	785,736
Week of March 8	805,789	786,189	767,055
Week of March 15	841,147	799,906	816,556
Week of March 22	844,041	804,606	816,741
Total	9,688,603	8,923,837	9,242,230

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended March 22, 1947. During this period 80 roads reported gains over the week ended March 23, 1946.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS) WEEK ENDED MARCH 22

Railroads	Total Revenues Freight Loaded	Total Loads Received from Connections
Eastern District—	1947	1946
Ann Arbor	353	278
Bangor & Aroostook	4,018	4,035
Boston & Maine	7,419	8,001
Chicago, Indianapolis & Louisville	1,483	1,212
Central Indiana	42	44
Central Vermont	1,107	1,112
Delaware & Hudson	5,336	4,627
Delaware, Lackawanna & Western	7,887	8,097
Detroit & Mackinac	400	275
Detroit, Toledo & Ironton	2,711	2,529
Detroit & Toledo Shore Line	440	314
Erie	12,782	11,895
Grand Trunk Western	4,717	3,077
Lehigh & Hudson River	181	205
Lehigh & New England	2,020	2,406
Lehigh Valley	8,808	8,639
Maine Central	3,109	2,889
Monongahela	8,025	6,381
Montour	2,211	3,040
New York Central Lines	51,937	48,756
N. Y., N. H. & Hartford	10,280	10,623
New York Ontario & Western	807	927
New York, Chicago & St. Louis	7,403	5,904
N. Y., Susquehanna & Western	583	407
Pittsburgh & Lake Erie	5,660	7,556
Pere Marquette	6,920	5,182
Pittsburgh & Shawmut	1,034	1,061
Pittsburgh, Shawmut & Northern	374	254
Pittsburgh & West Virginia	678	964
Rutland	447	422
Wabash	6,633	5,923
Wheeling & Lake Erie	6,244	4,942
Total	172,049	162,107

Railroads	Total Revenues Freight Loaded	Total Loads Received from Connections
Allegheny District—	1947	1946
Akron, Canton & Youngstown	796	651
Baltimore & Ohio	43,262	42,992
Bessemer & Lake Erie	3,486	2,779
Cambria & Indiana	1,472	1,635
Central R.R. of New Jersey	6,870	6,182
Cornwall	470	461
Cumberland & Pennsylvania	304	468
Ligonier Valley	82	34
Long Island	1,368	1,595
Penn-Reading Seashore Lines	1,810	1,743
Pennsylvania System	80,442	79,889
Reading Co.	15,719	14,818
Union (Pittsburgh)	18,815	18,008
Western Maryland	4,710	4,736
Total	179,606	175,991

Railroads	Total Revenues Freight Loaded	Total Loads Received from Connections
Peachontas District—	1947	1946
Chesapeake & Ohio	34,000	31,795
Norfolk & Western	24,242	22,429
Virginian	4,885	5,070
Total	63,127	59,294

Railroads	Total Revenues Freight Loaded	Total Loads Received from Connections
Southern District—	1947	1946
Alabama, Tennessee & Northern	455	444
Atl. & W. P.—W. RR. of Ala.	927	1,031
Atlantic Coast Line	14,647	15,893
Central of Georgia	4,305	5,028
Charleston & Western Carolina	463	490
Clinchfield	2,176	1,883
Columbus & Greenville	400	362
Durham & Southern	90	98
Florida East Coast	2,319	4,083
Gainesville Midland	84	79
Georgia	1,229	1,261
Georgia & Florida	418	466
Gulf Mobile & Ohio	4,631	5,417
Illinois Central System	27,925	29,825
Louisville & Nashville	28,824	27,627
Macon, Dublin & Savannah	249	303
Mississippi Central	335	318
Nashville, Chattanooga & St. L.	3,708	3,784
Norfolk Southern	1,127	1,438
Piedmont Northern	429	462
Richmond, Fred. & Potomac	434	444
Seaboard Air Line	12,054	12,342
Southern System	27,977	27,251
Tennessee Central	749	683
Winston-Salem Southbound	126	143
Total	136,081	141,155

Railroads	Total Revenues Freight Loaded	Total Loads Received from Connections
Northwestern District	1947	1946
Chicago & North Western	16,286	15,491
Chicago Great Western	2,662	2,567
Chicago, Milw., St. P. & Pac.	23,320	21,106
Chicago, St. Paul, Minn. & Omaha	3,851	3,663
Duluth, Missabe & Iron Range	1,629	1,231
Duluth, South Shore & Atlantic	675	624
Elgin, Joliet & Eastern	8,752	8,216
Ft. Dodge, Des Moines & South	532	464
Great Northern	12,184	10,726
Green Bay & Western	511	501
Lake Superior & Ishpeming	316	233
Minneapolis & St. Louis	2,478	2,112
Minn., St. Paul & S. S. M.	5,666	5,017
Northern Pacific	10,505	9,757
Spokane International	154	110
Spokane, Portland & Seattle	2,759	1,942
Total	92,380	83,760

Railroads	Total Revenues Freight Loaded	Total Loads Received from Connections
Central Western District—	1947	1946
Atch. Top. & Santa Fe System	26,853	22,527
Alton	3,059	2,998
Bingham & Garfield	436	5
Chicago, Burlington & Quincy	22,334	19,093
Chicago & Illinois Midland	3,265	3,235
Chicago, Rock Island & Pacific	13,670	11,945
Chicago & Eastern Illinois	2,957	2,999
Colorado & Southern	636	772
Denver & Rio Grande Western	3,619	2,899
Denver & Salt Lake	728	666
Fort Worth & Denver City	1,154	905
Illinois Terminal	2,253	2,109
Missouri-Illinois	1,105	1,032
Nevada Northern	1,669	1,436
North Western Pacific	1,021	509
Peoria & Pekin Union	13	9
Southern Pacific (Pacific)	29,983	27,808
Toledo, Peoria & Western	109	0
Union Pacific System	17,251	14,994
Utah	873	881
Western Pacific	1,570	1,771
Total	134,558	118,594

Railroads	Total Revenues Freight Loaded	Total Loads Received from Connections
Southwestern District—	1947	1946
Burlington-Rock Island	329	313
Gulf Coast Lines	6,044	5,320
International-Great Northern	2,050	2,273
K. O. & G.-M. V.-O. C.-A.-A.	1,204	1,199
Kansas City Southern	3,541	2,871
Louisiana & Arkansas	2,493	2,532
Litchfield & Madison	439	454
Missouri & Arkansas	195	130
Missouri-Kansas-Texas Lines	5,359	5,396
Missouri Pacific	17,852	16,927
Quannah Acme & Pacific	143	149
St. Louis-San Francisco	10,503	9,937
St. Louis-Southwestern	2,771	2,667
Texas & New Orleans	9,425	9,372
Texas & Pacific	3,983	3,985
Wichita Falls & Southern	76	87
Weatherford M. W. & N. W.	23	28
Total	66,240	63,705

†Includes Kansas, Oklahoma & Gulf Ry., Midland Valley Ry. and Oklahoma City-Ada-Atoka Ry. ‡Strike.

NOTE—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

Period	Orders Received	Production	Unfilled Orders	Percent of Activity
	Tons	Tons	Tons	Current Cumulative
1946—Week Ended				
Dec. 7	207,137	172,417	578,742	99 96
Dec. 14	167,937	175,640	571,179	102 96
Dec. 21	144,083	172,275	543,675	102 96
Dec. 28	99,555	109,210	532,773	66 96
1947—Week Ended				
Jan. 4	196,927	142,338	588,406	85 85
Jan. 11	171,420	174,043	580,026	102 94
Jan. 18	173,851	178,556	577,269	103 97
Jan. 25	155,432	173,720	557,140	101 98
Feb. 1	204,033	179,347	579,562	102 99
Feb. 8	202,189	181,017	599,069	104 99
Feb. 15	169,624	178,282	589,544	102 100
Feb. 22	147,458	177,282	565,571	103 100
Mar. 1	192,670	181,709	574,256	102 101
Mar. 8	237,292	179,025	614,471	102 101
Mar. 15	183,207	179,819	595,648	104 101
Mar. 22	155,794	176,918	574,090	103 101

NOTES—Unfilled orders for the prior week, plus orders received, less production do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Retail Store Sales in Jan. Reported by Commerce Department

Sales of retail stores in January are estimated at \$7,870,000,000, 18% above January 1946, the Department of Commerce said on March 14. This increase was the smallest year-to-year gain in the past 12 months. January sales were 23% below the high level of holiday buying in December, but the decline was somewhat less than normally occurs in January. The seasonally-adjusted index of retail sales (1935-39=100) rose to 278 in January from 270 in December. The January index was slightly higher than the November peak, said the Commerce Department's announcement issued on March 14 which added:

"Sales of nondurable goods stores in January were 12% above a year ago, continuing the narrowing of year-to-year gains recorded in recent months. The largest gain among the nondurable goods group occurred in dollar sales of food stores which were more than one-fifth over January 1946, but the increase was due to higher prices rather than a larger physical quantity of goods sold. After seasonal adjustment food store sales in January were at a new high.

"In the general merchandise group sales were about 15% more than a year ago, while in the remaining groups of nondurable goods stores, sales exceeded the previous year by 8% or less.

"January sales of durable goods stores were 47% higher than in January a year ago, and they continued to move upward after seasonal adjustment. Sales in the automotive group, including motor vehicle dealers and parts and accessories stores, were up 90% over a year ago but were practically unchanged from the previous month after seasonal adjustment. This reflected a decrease in parts and accessories store sales.

"In the home furnishing group sales in January were 44% above a year ago while building materials and hardware store sales were up 20%. In both of these groups sales in January, after seasonal adjustment, rose about 6% from December. Jewelry store sales in January were about the same as those shown for January 1946. After seasonal adjustment the level was slightly higher than that shown in recent months."

Weekly Lumber Shipments 3.2% Below Production

According to the National Lumber Manufacturers Association, lumber shipments of 419 mills reporting to the National Lumber Trade Barometer were 3.2% below production for the week ending March 22, 1947. In the same week new orders of these mills were 7.2% below production. Unfilled order files of the reporting mills amounted to 76% of stocks. For reporting softwood mills, unfilled orders are equivalent to 29 days' production at the current rate, and gross stocks are equivalent to 36 days' production.

For the year-to-date, shipments of reporting identical mills were 20.8% above production; orders were 13.4% above production.

Compared to the average corresponding week of 1935-39, production of reporting mills was 25.7% above; shipments were 10.9% above; orders were 6.6% above. Compared to the corresponding week in 1946, production of reporting mills was 15.9% above; shipments were 2.6% below; and new orders were 8.4% below.

Items About Banks and Trust Companies

(Continued from page 4)

amounted to \$282,277,845 at the end of March against \$312,189,737 Dec. 31; while cash on hand and due from banks was \$103,814,003 against \$121,974,995 three mos. before; loans and discounts are now \$138,487,277, compared with \$136,864,947. Capital and surplus at the end of March totaled \$22,000,000 and with the \$6,910,329 in undivided profits the grand total amounted to \$28,910,329, while on Dec. 31 the undivided profits amounted to \$6,604,002.

The Commercial National Bank and Trust Company of New York reported as of March 31, 1947 total deposits of \$194,034,661 and total assets of \$220,102,393, compared respectively with \$203,728,119 and \$229,493,939 on Dec. 31, 1946. The bank held cash on hand and due from banks of \$46,608,542, compared with \$46,391,179 on Dec. 31, 1946; investments in United States Government securities of \$121,039,172, compared with \$130,813,239 on Dec. 31, 1946. Loans and discounts of \$46,492,962, compared with \$48,228,797 on Dec. 31, 1946. The bank's capital account was unchanged at \$7,000,000 and its surplus and undivided profit account increased to \$13,112,024 from \$13,005,633 at Dec. 31, 1946 after payment of dividend. Net earnings per share for the quarter were \$0.30.

The Chemical Bank & Trust Company of New York reported as of March 31, 1947, deposits of \$1,114,939,997, and total assets of \$1,238,076,886, compared respectively with \$1,226,822,541 and \$1,347,574,272 on Dec. 31, 1946. Cash on hand and due from banks amounted to \$282,009,919 (compared with \$242,226,400; holdings of U. S. Government securities to \$471,050,209, against \$628,273,214; bankers' acceptances and call loans to \$51,087,881, against \$75,095,699; and loans and discounts to \$309,746,354, against \$282,138,718. Net operating earnings for the quarter amounted to \$1,703,362, as compared to \$2,023,481 for the same period a year ago. Net profits and recoveries on securities amounted to \$497,557, against \$229,695 for the first quarter of 1946. Miscellaneous credits for the quarter amounted to \$207, as compared to \$513,802 for same period a year ago. Capital and surplus were unchanged at \$25,000,000 and \$70,000,000, respectively, and undivided profits were \$9,150,365, against \$8,501,663 at the end of December. The indicated net earnings on the bank's 2,500,000 shares (par \$10) amounted to \$0.71 per share for the first quarter of 1947.

John M. Bierwirth, President of the New York Trust Co. of New York, has announced the promotion of John C. Orr II to be a Vice-President. Mr. Orr joined the Trust Co. directly after his graduation from Yale University in 1925 and served in various departments of the Personal Trust Division. In 1930 he was appointed an Assistant Trust Officer and in 1936 was promoted to Assistant Vice-President. Located at the Rockefeller Center Office of the Trust Company, Mr. Orr will be associated with personal trust development work in the head office and branches.

Three important promotions of officers of the Manhattan Savings Bank of New York were announced on March 27 by Willard K. Denton, President. Henry J. Vettel and John J. Novak have been advanced from Assistant Vice-President to Vice-President and William M. Mott, Branch Office Manager, has been named an Assistant Vice-President. Mr. Vettel, who has been with the bank 24 years, supervises the bank's uptown offices. Mr. Novak, who joined the bank's staff in

1939, is in charge of the bank's real estate and mortgage servicing department. Mr. Mott has been with the bank since 1930 and will continue to act as Manager of the bank's office at Broadway and 8th Street. The Manhattan Savings Bank, one of the oldest and largest in the country, has five offices in Manhattan and resources of \$175,000,000.

Louis R. Kiernan, President, and George W. Shepherd, Vice-President of the Chelsea Trust Co., of Chelsea, Mass., have been elected Vice-Presidents of the National Shawmut Bank of Boston. According to the Boston "Herald" the announcement of their election was made on March 28 by Walter S. Bucklin, President of the Shawmut, as the merger of the Chelsea Trust with the National Shawmut became effective. The "Herald" further added:

The deposits of the Chelsea Trust Co., founded in 1907, have been assumed by the National Shawmut Bank and the quarters of the Chelsea Trust opened as the Chelsea Square Office of Shawmut. The number of Shawmut offices is thus increased to 27.

Louis R. Kiernan, who has been President of the Chelsea Trust Co. since 1933 and a director since 1937, is a member of the bar.

George W. Shepherd has been Vice-President and Treasurer of the Chelsea Trust Co. since 1932. He has been engaged continuously in the banking business in various Boston institutions since 1908, with the exception of three years, from 1925 to 1928, when he was President of International Proprietaries, Inc., Dayton, Ohio.

An item bearing on the merger of the Chelsea Trust with the Shawmut Bank appeared in these columns March 13, page 1444.

One of the oldest corporate titles in American banking history disappeared on April 1 when the Pennsylvania Company for Insurance on Lives and Granting Annuities opened its head and its branch offices for business under its new name—The Pennsylvania Company for Banking and Trusts. Also opened for the first time as branch offices of the newly named Pennsylvania Co. are the four banking offices of the Germantown Trust Co. of Philadelphia. This transfer of control, which became effective at the close of business on March 29, is the result of a merger of the two financial institutions which was approved by the Pennsylvania and Germantown stockholders at special meetings on March 8. Pennsylvania Co. stockholders at their meeting also approved the proposed new title for the bank, conditional upon the passage of an amendment to the Banking Code then before the State Legislature which would permit the adoption of the new name. This amendment was subsequently passed and signed by Governor Duff.

"The Pennsylvania Co. was originally chartered in 1812 as a life insurance company," explained William Fulton Kurtz, President. He went on to say:

"It discontinued its life and annuity business about 1870 and since that time it has been a bank and trust company. Needless to say, our very long and misleading title had often caused confusion in the public mind and it was to correct that situation that the change in name was made. The Germantown Trust merger, following the Pennsylvania Co.'s recent purchase of the assets of the Erie National Bank of Philadelphia and the Kensington National Bank, gives our bank a total of 18 offices and rounds out a

program to make all of the banking facilities of the Pennsylvania Co. easily available to the residents and industries in all sections of the city and suburban areas."

All former officers and employees of the Germantown Trust Co., which was founded in 1889, are continued as officers and employees of the Pennsylvania Co. The offices formerly operated by the Germantown Trust Co. are located at Germantown and Cheltenham Avenues; Evergreen and Germantown Avenues; Chestnut Hill; North Broad and Ruscomb Streets, Logan; and Germantown Avenue and Pelham Road, Mount Airy.

The proposed change in the name of the Pennsylvania Co. and the recent mergers with it were referred to in these columns March 6, page 1308, and March 20, page 1580.

The capital of the First National Bank in Tarentum, Pa., has been increased from \$125,000 to \$200,000 by the sale of \$75,000 of new stock, according to the weekly bulletin issued by the Office of the Comptroller of the Currency. The increased capital became effective March 20.

The statement of The Philadelphia National Bank of Philadelphia, Pa., for the period ended March 31, 1947, shows deposits on that date of \$613,809,317, consisting of \$8,697,022 of U. S. Treasury deposits and \$605,112,295 representing all other deposits. This compares with deposits of \$642,332,917—\$12,756,031 of U. S. Treasury deposits and \$629,576,886 covering all other deposits—reported on Dec. 31, 1946. Total resources March 31 amounted to \$680,581,588, compared with \$709,555,087; cash and due from banks aggregated \$218,064,943, compared with \$224,584,827; U. S. Government securities, \$290,845,969, against \$330,341,131; State, county and municipal securities were \$14,290,747 versus \$12,209,153; other securities, \$33,239,993, against \$36,236,912; loans and discounts, \$117,744,886, compared with \$99,407,175. The capital stock of the bank and the surplus at the end of March both remained unchanged at \$14,000,000 and \$36,000,000, respectively. Undivided profits were \$7,703,801, compared with \$7,364,253 at the end of December.

The Mercantile Trust Co. of Baltimore announced on March 26 the election of Paul P. Price as an Assistant Treasurer, John A. Huth as an Assistant Secretary and Gordon E. Kellenberger as a Trust Officer. Charles S. Garland, of Alex. Brown & Sons, was appointed a member of the executive committee. We quote from the Baltimore "Sun" of March 27, in which it was also stated:

Mr. Price has been with the company since 1915 and Mr. Huth since 1920. Mr. Kellenberger became associated with the company in 1926 and was elected an Assistant Trust Officer in 1942.

According to an item by J. S. Armstrong, Financial Editor of the Baltimore "Sun," appearing in the March 26 issue of that paper, W. Ray Tabler, Cashier of the Centerville National Bank of Maryland (at Centerville) for the past 13 years, has been elected to succeed Addison H. Reese, resigned, as Cashier and Vice-President of the Nicodemus National Bank of Hagerstown, Md.

Mr. Reese was recently named President of the County Trust Co. of Cambridge, Md. (succeeding J. Allan Coad, resigned), and will take over his new duties about May at the Baltimore executive headquarters of the company. Mr. Tabler has resigned his post at Centerville, said the "Sun," and will take up his position in Hagerstown about May 1.

Commerce National Bank is the name suggested to stockholders of the Commerce Guardian Bank of Toledo, Ohio, which will become a national bank April 24, Milton Knight, President, said on March 25 in announcing stockholder approval the previous day of the recapitalization plan. The Toledo "Blade," in making this known on March 25, also had the following to say:

The institution's capital surplus will be increased to \$3,100,000 and its lending limit to \$310,000, Mr. Knight explained. He said that more than 80% of the stockholders already have approved the change from a State to a National bank, but that it will not be voted upon formally until the April meeting.

Under the recapitalization plan approved yesterday, \$900,000 of additional stock will be sold to increase the bank's capital-surplus from its present \$2,200,000 and present outstanding stock will be split on the basis of four shares for three.

Commerce Guardian now has outstanding 330,000 shares of \$33½ par common stock. Under the recapitalization plan, four shares of \$25 par stock will be issued for each three shares of present stock. Stockholders will be entitled to buy two shares of the new \$25 common for each three shares they now hold.

Under the plan, 20,000 new shares will be offered at \$45 a share. After sale of these shares and split-up of existing stock, projected book value of the new stock will be \$59.93 a share.

From Washington Ahead of the News

(Continued from first page)

Conscriptionist head, General Hershey.

Naturally, it was reasoned, these men would be dealing with veterans and therefore they should form a committee. Well, all committees to be constructive, must have an executive secretary. When it is considered the damage that the executive secretaries have done to this country, it is like nobody's business.

Be that as it may, somehow or another, this fellow Faulkner came to get the executive secretary job. Mr. Faulkner, a small business man from Ohio, must have fretted at sitting in an old run-down or a temporary building, and being no more than an executive secretary of a committee. You can sort of see Mr. Faulkner asking himself, "Am I mouse or man?"

However that may be, this go-getting business man has promoted his job into an appropriation of around \$2,000,000. He has established himself a duplicating veterans' placement service with close to 700 workers. It seems that he only asked for 500 but somehow the Budget Bureau, said, oh, you must have a bigger staff than that. Mr. Faulkner testified before the House Appropriations Committee that he didn't understand the budget and cared less. He was just an American business man trying to do a service, and he could certainly show that he personally had got any number of veterans a job; goodness only knows how many other people got them jobs, too.

Anyway, the House Republicans decided here was a beautiful place to cut, and they did. Whereupon in the New Deal demagoguery and abuse, they were stamped as being anti-veteran.

In the welter of appropriations, they came across the Bureau of Labor Statistics which has enjoyed quite a vogue among the intellectuals in recent years. It has been established for the better part of 50 years, more or less harmlessly gathering in statistics

based on the bank's statement of Dec. 31, 1946, Mr. Knight said.

Stock purchase warrants and scrip certificates were mailed to shareholders yesterday. They have until April 23 to exercise their rights to purchase new stock.

William A. McDonnell has resigned as a Vice-President of the Mercantile-Commerce Bank and Trust Co. of St. Louis and on March 28 was elected an Executive Vice-President and a director of the First National Bank in St. Louis. The St. Louis "Globe Democrat," reporting this, said:

Mr. McDonnell's election was considered significant in banking circles, but Walter W. Smith, President of the First National Bank, said he did not desire to make any comment at this time.

Mr. McDonnell will take his new post April 15, to serve equally with William C. Connett, Executive Vice-President.

Mr. McDonnell is a native of Arkansas and practiced law at Little Rock following his graduation from Vanderbilt University in 1917. In 1927 he entered the banking field. He served overseas as an artillery Captain in World War I. He was Vice-President of three Little Rock banks and director of the city's branch of the Federal Reserve Bank before becoming associated with the Mercantile-Commerce Bank and Trust Co. in 1944.

Mr. McDonnell is Chairman of the 1947 Community Chest campaign.

day after day as a crone goes about gathering up paper and sticks. Its few bureaucrats were born, enjoyed a reasonable living over a span of years and then retired.

But when the New Deal began tossing money around, the bureau's then director, Dr. Isadore Lubin, appreciative of the station in life which statisticians and economists had come to have, moved in to get his share. In 1938, the bureau had an appropriation of \$800,000 odd, for which amount you would think you could get a lot of statistics. But for the fiscal year 1947, the bureau had close to \$6,000,000. The House Republicans' eyes got as big as saucers when they contemplated this amount. They cut it almost in half, in the view, no doubt, that we simply couldn't enjoy so many statistics and a Greek crisis, too.

Well sir, the so-called Liberal editors, prodded by the BLS boys, screamed to high heaven. Wasn't it realized by the dumb Republicans, demanded these editors, that the BLS had become an essential fixture in our economy, that labor-management contracts were written on its figures? It is a fact that the BLS figures do appear in many labor-management contracts because they have become a great talking point for the labor leaders. Whenever these figures don't suit the labor leaders' strategy, they ignore them or attack them as erroneous as they did some months ago.

But anyway, the Republican budget cutters said they wanted the BLS to maintain its cost of living service unimpaired but they did want it to get out of other areas into which it had moved, such as study of occupational hazards, the productivity of labor, the rise and fall of construction, the mental attitudes of the working man, etc. It is sort of fascinating to see the Republicans trying to cut down the governmental expenditures. It's a job!